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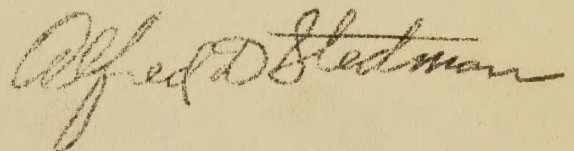
To Farm Paper Editors:

The accompanying transcript of the various conferences with officials of the Department of Agriculture and the Agricultural Adjustment Administration is furnished in the belief that it will be helpful in refreshing your memory and renewing in your mind, with accuracy, the details of conferences and discussions.

You will appreciate that there was a distinct difference between the conference for the farm paper editors, and the routine press conferences of the Department and the Administration officials, where press correspondents are permitted full freedom of publication for any statement made to them unless it is specifically stated to be "off the record". The farm paper editors went considerably deeper into the inside of things because the purpose of their conference was to put all cards squarely on the table and to give every editor the information which he desired in forming his own conclusions, shaping his own policy, and adopting his own attitude.

For this reason we are depending upon editors not to publish as quotations or as official statements the material contained in this transcript, such statements having been made in large part as confidential and "privileged" communications to a group entitled, for their own guidance, to the utmost frankness in discussion of the aims and activities under the recovery program.

Sincerely yours,



Alfred D. Stedman,
Assistant Administrator.

FARM PAPER EDITORS CONFERENCE
WASHINGTON, D. C.
FEB. 22, 23, 24, 1934

(This conference of farm paper editors of the country was called by Secretary Wallace. 34 Editors responded to the invitation. It consisted of a series of informal conferences between the editors and various officials of the Department of Agriculture and the Adjustment Administration.)

10:00 A.M., Feb. 22, 1934.

Office of the Secretary of Agriculture.

SECRETARY WALLACE: We have already handed out to you a proposed program. This is not binding. If you care to follow this program, all well and good. Perhaps many of you will want to follow it and perhaps some of you will want to do something else. We will be glad to do anything we can to make your stay here as profitable as possible. We have no intention of asking you to pass any resolutions or anything of that sort.

We have, as most of you doubtless know four--very hot spots immediately before us. One has to do with dairying which I suppose will be continuously hot because of the very divergent interests involved. The second has to do with beef cattle, the third has to do with sugar, and the fourth has to do with the conditions under which compulsion might be applied, and that particular problem is exemplified especially by the very unusual demand from the South for something in the nature of the Bankhead Bill. Those are the things which are boiling most at the moment.

From the long time point of view, the thing of greatest concern is working out a truly comprehensive land policy adequately and soundly financed and determining just what kind of a tariff policy we are to have, and just what kind of adjustments must be made in view of that particular type of tariff policy. Any kind of tariff policy means adjustments. The present tariff, which is the inheritance from the previous administrations, means a very profound adjustment in agriculture.

Mr. Dillon, I would judge, is possibly the dean of the group. Have you any questions to ask, Mr. Dillon?

MR. DILLON: I will be interested to know what the prospects are for a Federal hand in the Eastern dairy problem.

A Federal Bill

SECRETARY WALLACE: In the dairy problem we have found it especially difficult to have universally recognized the idea that this bill is a Federal bill and it is not designed primarily for the purpose of delegating the centralizing power of government for the solution of local problems

in just exactly the way the local people would like to have the problem solved. The Federal power must be used to see that the local problems are solved in such a way that an unfair burden is not placed on some other locality by such solution, and that an unfair burden is not placed on some other commodity. Dairying in many regions has been of such a local nature that it has been difficult to get that concept across. We find it in many of our other activities as well.

It is so easy for the interests involved in a particular commodity in a particular region to feel that the thing to do is to get together with the greatest possible political force and see if they can't push the government into a position which is eventually beneficent to that industry but in the long run is destructive to that locality and that industry, and unbalancing to certain competitive elements in other localities and in other commodities. I suppose that is the big thing that has struck me in this activity here--the necessity that comes from the serving of a particular clientele. I feel now that agriculture has this rather unusual power under the Agricultural Adjustment Act that it is going to be necessary to use it in such a way that we can't be accused two or three years hence by the consumers of having done them an injustice of a short-sighted nature.

I will be interested in learning from the cotton editors and publishers as to the sentiment concerning the Bankhead Bill. Is there a unanimity of opinion on that from the South?

Bankhead Bill

DR. POE: I think, Mr. Secretary, that there is a very general demand for some form of the Bankhead Bill. There are three things that the people are thinking about particularly. The primary concern is to see that the man who doesn't sign a contract is not allowed to overplant and thereby lower the prices of those who do cooperate with the government. Another thing, they don't feel that the man who has been planting 80 per cent of his land to cotton and the man who has been planting 10 per cent of his land to cotton should both be required to reduce in the same proportion. That is, the people who followed the advice of the Department of Agriculture and agricultural editors, etc., and have a well balanced system of farming should not be required now to reduce in the same way that the non-cooperating farmers are.

Another matter is taking care of the little man. The man who has been growing \$500 or \$1,000 worth of cotton as his cash income has to pay his taxes and doctor bills out of that. If he is required to reduce 30 per cent, in spite of the fact that he would get so many cents for each pound he doesn't grow, he still has a standard of living that is below what we think to be the American standard. There should be some minimum below which a man would not be required to go. Many have said that if they are required to reduce more they can't make a living for their family.

The third thing is the long range results of this program. As you say, to be fair to the city consumer, to see that they are not penalized to the extent of bringing about a reaction of public sentiment. While the American consumer is going to be willing to contribute to bonuses and payments that will help the small farmer to maintain an American standard of

living, just as we have been willing to have some form of tariff in order to maintain the American standard of living for industry workers, they are not going to be willing to pay bonuses to bonanza farmers, the farmers who are producing on a tremendous scale and on a purely commercial basis as contrasted with the small farmer who is simply working to get a decent standard of living for his family. I think there is an overwhelming demand in the South for some sort of control, but they would like to see those three points taken care of.

First, the man who already has a diversified system of farming should not be required to reduce in the same proportion as a non-cooperating farmer should reduce.

Second, the reduction should not go to the extent where it would prevent a man from maintaining a decent standard of living for his family.

Third, we should not bring about a reaction of urban opinion unfavorable to us by giving the same benefits to the large scale commercial producers that we do to the small farmers.

SECRETARY WALLACE: How would you put that into a bill, Dr. Poe, such as the present Bankhead Bill providing for definite allotments to the Southern States, to the counties and to the individual farmers? Would you leave it optional with the Secretary of Agriculture to make a sliding scale, or would you write it into the Act, and if so, how would you write it into the Act if you would make a difference. Would it be constitutional?

DR. POE: It seems to me in so many forms of taxation you begin at a minimum point and then graduate above that. It looks to me it should be constitutional. Mr. Watkins of the Cotton Section is very much interested in the matter of giving the proper weighting between cotton and other crops, and I believe, it could be worked out.

SECRETARY WALLACE: I wonder if there is any demand from other regions and other commodities for something in the nature of the Bankhead Bill idea? What is your attitude in Oklahoma on that?

MR. ROBERTS: The dominant sentiment among the farmers is for some sort of compulsion that would prevent an increase in acreage on the part of those who have not signed contracts, but I don't believe the Bankhead Bill is understood. I have heard little discussion of it. I would rather anticipate that the majority of our farmers will be a little surprised when they find that limitation of production is considered in addition to limitation of acreage which has been agreed to in the contracts signed. I am sure I don't know what the reaction will be when that is understood.

In regard to the matter of acreage reduction, it seems we might consider the mind of the farmer at this time. In our state it grew up in the last sixty days and almost spontaneously without any conscious direction on the part of anybody, and for that reason it is to quite an extent a matter of sentiment--you might call it a matter of mass mind. There is a good deal of sympathy for the small man who in the past few years has shifted to livestock who formerly grew cotton and who possibly grew none in the last five years--there is some sympathy and agreement that he should be permitted to grow some cotton. Also there is definite sympathy for

the man who, following our advice going back five or six years ago, reduced his acreage drastically, who before that time was almost exclusively a cotton farmer and has now shifted to livestock largely, and who it is agreed should be permitted to come back into cotton production part way at least.

SECRETARY WALLACE: Can you think of any way of taking care of that kind of man that will not open the door to widespread misunderstanding?

MR. ROBERTS: Arbitrarily, the matter of determining quotas might be placed in the hands of the county committees.

SECRETARY WALLACE: That places a great deal of pressure on the county committee.

MR. ROBERTS: If the Department were to specify 8 or 10 or 12 cases that would be considered worthy, as in the case of a man who repossessed his farm or a young man who became of age, and say under Section 23 this man is qualified and we will allot him 5 acres, then you would run less risk of arbitrary ruling by local committees.

SECRETARY WALLACE: There is one thing I would like to have the farm paper editors keep in mind, and that is the necessity for having a constructive program when the time comes to leave the processing tax. A rather extraordinary damage to the agriculture of those great regions producing the export crops could result if the processing tax were suddenly eliminated and nothing else were put in its place. It is going to be a real problem when we shift from the processing tax to something else to have the shift made in such a gradual way that there will not be a very real damage done to these producers of the great export products. I suppose, Dr. Tugwell, you will talk with them about the land program, won't you?

The Family Farm

DR. TUGWELL: Anything they want to talk about. Of course, we have got to make a decision some time, whether or not we are going to favor commercial agriculture, which you seem to be very definitely against, as over against what might be called the family farm.

MR. ROBERTS: I am very definitely for the family farm and preserving the economic value of the family farm.

DR. TUGWELL: Do you seriously think that legislation such as this ought to be used for that purpose? I mean the suggestion that is being made here very definitely that we should favor one type of agriculture against another with this legislation. It wasn't intended for that purpose at all.

MR. GREGORY: Dr. Tugwell, isn't our chief national problem to take care of our people? We have too many people under our present economic system, and we have to devise a system to take care of them.

DR. TUGWELL: I wasn't particularly arguing the case--I just wanted to know if that was clear in everybody's mind.

MR. ROBERTS: I think these gentlemen were asked to express the opinions of the people in their territory, and I know they have very accurately, expressed the opinions of the farmers in our territory. They want the small farmers--they don't want the big, so-called bonanza type of commercial farmer.

SECRETARY WALLACE: Would they be in favor of a graduated land tax? I don't suppose it would be constitutional in many states, but it doubtless is in many of them.

MR. ROBERTS: I think very few of them have thought about the legislative means of obtaining the end. They have simply thought about the type of agriculture they would like to have encouraged and preserved.

DR. POE: I would say in answer to Dr. Tugwell that the fundamental feature of the New Deal is the emphasis of human rights and values as contrasted between profiteering rights and values, and I think that is exactly the difference between the family farmers and the commercial farmers.

MR. ROBERTS: Perhaps in West Texas and Oklahoma we can grow cotton as cheaply as it can be produced anywhere in the United States or on the face of the globe. I should think that if the commercialization of Agriculture were carried to a logical conclusion that that section of the country could hold its own under the most severe competition, but in spite of that I think if you go into that section of Oklahoma west of the cotton belt and put it to a vote of all the people there, you would find a very definite majority in favor of legislation, regulations, or whatever you might inject to get benefits definitely to the family-sized farm as opposed to the man whose farming is for raising cotton to realize a profit on his investment.

MR. EASTMAN: Mr. Secretary, what has been said about the family farm goes 100 per cent for the eastern farmers. Along the line of the land program discussion, I think there has been considerable long talk in regard to the marginal farmer. Without question we have land in production which ought not be in production, but at the same time the people living on that land constitute a great social problem. What are you going to do with them to put them in any better position economically and socially than they are at present? If you move them to the city, particularly if they have reached middle life, they are in no position to make a living in the city or to be happy there, and there is no other place to move them. I think with the talk of marginal farming goes the even larger question of the status of the people involved who are now on the so-called marginal land.

SECRETARY WALLACE: I spent the last part of last week driving through North Carolina and northern Tennessee where you see the marginal farm at its ultimate. I suppose we passed at least one hundred farmers walking along the automobile roads through those mountains carrying on their backs either ear-corn which they were carrying to the mill or ground

corn they were carrying away from the mill, and a number of these were undoubtedly old water mills. They certainly aren't contributing a thing to the agricultural surplus. It is self-subsistence farming in the ultimate. It is hard to imagine those people if they were dispossessed of making a living anywhere else although their children are probably as well trained to make a living as anybody's children.

MR. GREGORY: I wonder if those farmers you saw out in that country aren't as happy as the laborers on Tom Campbell's farm?

SECRETARY WALLACE: I suspect they are happier, although I suppose not one in fifty owns an automobile; I don't know, maybe not one in a hundred. Their schools are rather miserable. From our standpoint I suppose we would say that they are leading a rather pathetic kind of existence. They have a considerable degree of leisure, plenty of good mountain scenery, but there is too much of a population there for the resources that they have. They haven't enough soil or enough of the bottom land to go around. They are planting the corn on land that erodes very, very rapidly, and there is more than a 45-degree slope. I think for the sake of the land down there that something should be done to prevent planting. It should have modern science introduced into it to the point where the miserable, degrading elements entering into it--and they are very great in many instances--could be eliminated. Of course that is the object of agricultural restoration, and that gets into M. L. Wilson's work, but logically we are very much interested.

MR. COLE: Mr. Secretary, up in the Montana wheat section this question of doing something to protect the farmer who has never cultivated more than enough land to give him the hope of a reasonable standard of living for his family is quite a live subject and my correspondence has been heavy in that direction recently. The thing that is coming up there is whether or not there is a possibility of doing something to protect that man and discourage the man who has a very large acreage. Speaking of Tom Campbell, there was suggested some sort of a graduated land tax. The idea out there is more of a graduated sales tax on wheat. I don't know, perhaps something of that nature might be worked out. That is the idea out there, strongly.

As we understand the New Deal out in the farming country in Montana, the basic objective is to establish a reasonable standard of living for the greatest possible number of people. It does not seem to me that any agricultural program can be thoroughly sound if it does not protect the fellow who is not cultivating more than enough land to give his family the standard of living of that so-called pre-war parity price. It seems to me that should be the place where we ought to get started.

SECRETARY WALLACE: There is something of a question as to whether that particular problem can be approached on a Federal basis. I am not altogether sure in my own mind about it, I know. The number of acres of land required for family-sized farms varies enormously in different regions. It varies enormously within a single state. I don't know whether from the central Government in a country as large as the United States it would be wise to use power for that purpose. I wonder if it wouldn't be a little

safer to start it from the states. If you are making it through legislation, how would the legislation read? I would like to see that attempt made to work out the legislation and see what it would be like. I suspect there would have to be a number of drafts before it would be at all foolproof.

Reduce The Whole Farm

MR. GREGORY: Mr. Secretary, as a substitute for what we are doing right now, might there be some limitation on the percentage of tillable land in crops? I think the farmers would prefer to have it done by rewards rather than punishments, but to do it in that way I think would meet with the approval of the majority of farmers. They feel that it would be a very great simplification of the present plan. Instead of reducing his wheat, and reducing his corn and this that and the other, simply reduce his total of cultivated acreage. He has to keep a certain percentage in pasture or in less intensive use.

SECRETARY WALLACE: Would you lump the livestock also together?

MR. GREGORY: If the cultivated acreage is sufficiently limited farmers would fairly well take care of the distribution between crops and between livestock.

SECRETARY WALLACE: If we could start a really profound respect for grass, getting a lot of these grass poems going, and get everybody grass-minded, it would be a splendid thing, wouldn't it?

MR. GREGORY: I have asked quite a large number of farmers the question as to what inducement it would take to induce them, say, to take twenty acres on a quarter section of farm now in cultivated crops and put it into grass. I asked if they would do it if their taxes were paid. Many of them came back and said, "We wouldn't ask for that much," and said, "We would if we could get half our taxes paid." Others say that if their taxes were taken care of on that land, they would.

SECRETARY WALLACE: Have you thought of the objection commonly raised by the dairymen against this increase in grass?

MR. GREGORY: I have thought about it as being much less objectionable and much less likely to lead to difficulties than most dairymen think. I think they greatly exaggerate the danger.

MR. WATSON: Mr. Secretary, in New England we do take advantage of that. We are encouraging grass and the farmers are taking to grass pastures more than ever before. We naturally have to buy almost all our grain and at the same time we are putting more of our fields into permanent pastures than we have ever done before. That is from the dairy standpoint, and we are encouraging it in every possible way.

MR. EDITOR: I think the man from New England is correct so far as dairying is concerned. We find our cheapest production is on properly constructed pastures.

MR. WATSON: We find considerable saving in our grain bill by putting our better lands into pasture. It is a better type of farming and our good dairymen in our New England states are doing that at the present time.

SECRETARY WALLACE: Do the New England farmers feel that the reduction in corn acreage, for instance, in prospect for this next year is going to work seriously to their disadvantage?

MR. WATSON: Well, we feel that naturally any increase in price is going to be reflected back on New England farmers because of the fact that we have to purchase practically all our grain. Of course it will to a certain extent.

Foreign Fats and Oils

MR. BRIGGS: Mr. Secretary, what is in your mind relative to protecting the American farmers in the sale of animal and vegetable fats and oils?

SECRETARY WALLACE: That is a very complicated problem. For the last months we have had a special committee in the Bureau of Agriculture Economics studying all phases of this. Some of you might be interested. I am sure, in talking with Nils Olsen, Chief of the Bureau, about it, Dr. Stine in the Bureau of Agricultural Economics is immediately in charge. I have asked them to consider the various proposals brought forward in a legislative way to try to discover how each of those proposals would affect the price of the different fats. What effect would it have on butter? What effect would it have on lard? And what effect would it have on cotton seed oil? I do know that superficial analysis before this committee was set up indicated that the effect on butter was far less than it is customary to assume. Butter, because of its higher quality, is comparatively much less affected than certain of the dairy people have urged. It has been perhaps overplayed in that field.

MR. BRIGGS: We are reducing our surplus of cotton seed oil by the cotton plan, and we are reducing supplies of lard by reducing the number of hogs. We are given quotas and at the same time the imports of cocoanut oil from the Philippines is doubling practically every year or two. They have no quota.

SECRETARY WALLACE: What do you think of this as an approach on this vegetable oil thing? It has been brought forward on the sugar thing and I don't know how it is going to come along there. How would it be to work out a system of quotas on vegetable oil from different sources?

MR. BRIGGS: If you worked that out in covering the Philippines as a part of the United States, we can't assess a tariff. If we find it possible to give the American farmers quotas on hogs and cotton, I should think the same plan giving the Philippines a quota on the exports to this country of cocoanut oil would be just and reasonable.

SECRETARY WALLACE: It is difficult to reach them. You can't reach them by a tariff. If you did reach them by a quota it might help. Quotas, if we are really going to get down to planning of our agricultural structure, would help enormously.

There is one more question I would like to bring up. In my opinion, the land question is the important question for the United States, and the land tenure system particularly in the South. We speak of marginal land and taking it out of cultivation, but when we take marginal land out of cultivation we take the home owners out of existence because most of our best lands are owned by absentee landlords in many areas in this country. Prices are so high that these home-lovers can't buy. The inherent desire of owning a home has lead these people to the marginal lands where they can buy cheaply. In former years we moved out West and took up good land for little or nothing. Today the situation is different. If we are going to have a home-owning population in the rural districts, something must be arrived at whereby they can secure these better lands if you are going to take these marginal lands out. I believe the land tenure system and the land itself are the important problems--that these others are emergencies and minor.

SECRETARY WALLACE: Well, gentlemen, I hope while you are here in Washington you will not forget that there are other parts to the Agricultural Department than the Agricultural Adjustment Administration, and that those parts which are primarily scientific in nature are in the long run just as significant as those which have to do with these economic adjustments.

I know for my own part, I feel that the Agricultural Adjustment Act does not in any way diminish the need for efficiency and scientific understanding. What we want is the greatest possible yield per acre, like the old farm slogan: "Greater yields from smaller fields." We want to go as far as possible in bringing the physical returns and have the physical return cater to the higher standard of living--that is truly our objective. We want to avoid this cry which has been brought forward by certain people that the thing to do now is to encourage ignorance or inefficiency. That is certainly not the thing we want, and we won't be reconciled to that. What we want really is to introduce science into the economic and social realm (and certainly not a half-baked science) recognizing that our efforts are rather stumbling, and yet, if we keep on trying in the same way as science keeps on trying in wrestling with the physical world we will get somewhere. The trouble is that when we get to wrestling with the economic and social world, people begin to get mad at each other but when they are wrestling with the physical world, if they don't make the right discovery the first time, they keep on trying until they finally hit it. I don't see why we can't wrestle with the social and economic problems in the same spirit of good nature as they wrestle with the physical world. We want more science in the social world rather than less science in the physical world.

(Conference adjourned at 11:15 a.m.)

Afternoon Session
1:00 p.m. February 22, 1934.

Office of Chester Davis, Administrator,
Agricultural Adjustment Act.

(Mr. Davis was in the midst of his opening statement
when the reporters came in to the conference.)

THE COTTON PROGRAM

MR. DAVIS: As a result of the cotton campaign and certain other programs hitting all of them in part, there has been a definite economic improvement in the position of cotton. The total amount of rental and benefit payments, plus the cotton option benefits, will amount to about \$160,000,000 on cotton for the 1933 crop, but those payments are only a means to an end, the end being to bring about an adjustment to create a firm basis for price parity and the farmers' income. The plans which we are cooperating with the farmers in putting across come to two parts. First, the market price; second, the rental and benefit payments.

THE TOBACCO PROGRAM

Tobacco had to be handled in a variety of ways. Six different commodity control programs are under way with tobacco. They have been backed up with marketing agreements with domestic buyers of tobacco which have worked out very successfully. The combination in the Bright tobacco belt was sufficient to raise the income from the sale of 1933 tobacco with no reduction in that crop to approximately \$117,000,000 compared with \$40,000,000 or \$45,000,000 for the year before. The six programs on tobacco are all somewhat alike, but vary according to the commodity. Some of them are extremely difficult to handle by reason of the fact that a large proportion of the crop goes in export and is extremely limited at present. In connection with Bright tobacco, the Tobacco Section advises that the sign-up amounts to almost 98 percent--that is, of the farmers having a tobacco base by reason of having grown tobacco in the past.

THE RICE PROGRAM

We entered into marketing agreements with the rice mills and were able to get a 100 per cent sign-up of the rice mills in the two sections of the United States that produce rice commercially; that is, the Pacific Coast and the Southern rice area, so that with that kind of basis we were able to adopt that rests on a processing tax, although we did have the legal power under the Act to place a processing tax on rice. The mills agreed to pay the parity price for the 1933 crop of rice with no reduction, and that amounted to a considerable advance in the price of rice over the price of the year before. For 1934 they agreed to act as the agency which, cooperating with the grower, will level off the amount of production to the amount that the market can take at this parity price. It is estimated, for example, that it will have to have about a 20 per cent reduction in acreage. In order to bring that about the way

we will handle it under this marketing agreement with the rice millers is that the mills will agree to pay a certain percentage of the parity price when the rice is delivered. In the case of one of those agreements, it is 70 per cent of this parity price, and in the case of the other it is 60 per cent, turning the remainder (the 30 or 40 per cent) over to a trust fund which we hold apart here in the Treasury. That trust fund then will be distributed to the growers who have cooperated in acreage adjustment on a unit basis, so that the man who hasn't cooperated in this control plan gets just the 60 or the 70 per cent of the market, as the case may be, and the man who has adjusted his production along with his cooperating neighbors will get the 100 per cent and possibly a little more, depending on the extent to which growers don't cooperate. I think that under a plan like that there will be general cooperation.

This illustrates one line of approach that we followed here to the problem of assisting farmers to get their production in line through the marketing agreements which I referred to in the case of rice.

We have commitments that look like about 760 odd million dollars in rental or benefit payments for 1933-34 on the programs now under way. If comprehensive programs for beef cattle and dairying are attached, that figure will probably run in excess of one billion dollars, but those payments themselves are not the end in themselves; they are simply a means to the end. That is, by the use of those payments as an addition to farm income we hope to be able to bring the supply, the productive effort, into line with whatever effective market can be developed and maintained both domestic and foreign.

Marketing Agreements

Now the marketing agreement--the other line of approach to the agricultural problem--has been applied particularly to the non-basic crops, crops that can't be handled by the processing tax method and many of which couldn't be handled by the processing tax method even if we had the legal power to do so, because the crop may be local in character. It may not pass through a bottle neck at which a tax could be collected. The only exception--rice, of course--is one where we applied the marketing agreement to the basic commodity. Tobacco is another, and then we have used the marketing agreement in an attempt to stabilize and improve conditions in the whole milk situation around some of the larger cities.

Now the marketing agreement provision in the law is fairly simple. It authorizes the Secretary of Agriculture to enter into marketing agreements with processors, associations of producers, and other dealers of a farm commodity, and that is backed up by a power to license. Where the license is used in connection with a marketing agreement, we followed this plan: we expect a majority of the industry through the processors or shippers and handlers to enter into the marketing agreement and when there is a substantial majority, we use the license to hold those who haven't signed in line with the performance of the others who have agreed to follow it. We are reaching a stage now where we will probably use the license power independent of marketing agreements, where we may not be able to get the processors or distributors into an agreement to accomplish the particular things we want to accomplish for the producer; and in that case we will probably be making the

attempt very shortly to use the license with industries where they haven't come in with the majority that has signed a marketing agreement.

The first marketing agreement that was adopted was the cling peach agreement in California. As applied to special crops, it was the first marketing agreement. As a result of that agreement, the peach growers out there tell us that they secured approximately \$5,000,000 for their peaches this year as compared with less than \$1,000,000 for their peaches the year before.

Another one that was adopted was the Northwest deciduous fruit agreement in the Pacific Northwest. We got that agreement out late; its operation was not wholly satisfactory either to them or to us, but Dr. Schoenfeld from Oregon told me the other day that it is conservatively estimated that agreement brought \$10,000,000 increase to the Northwest fruit growers in the 1933 season.

We have similar agreements in effect with citrus producers; that is, the citrus dealers for the benefit of producers, in the three main citrus-growing regions. Altogether we entered into something like 35 or 40 marketing agreements, about 14 of them being marketing agreements with milk distributors and producers in some of the whole milk sheds.

The Milk Problem

The milk problem, as I said at the beginning, has been the toughest one we have had to handle. Our experience with the milk marketing agreements was not so satisfactory. We started out by covering a pretty broad territory. In the earlier agreements fixed the consumers' price and the producers' price, and that meant fixing the spread between what the farmer got and what the consumer was charged. Since these were agreements, it meant that there was bargaining going on between producers and distributors, and when they could reach an agreement on the price set-up that was mutually satisfactory, they would come in and enter into an agreement and then expect that we would enforce all those prices and other terms of the agreement and license.

Now we found ourselves in this position: We were asked to use the powers of the Federal Government to assist the distributors to maintain a consumer's price in a certain market which was a price that was satisfactory to the distributor and which would, in effect, put the Federal Government back of their distribution costs, and put us in a position of guaranteeing and defending their margins of profit and resisting the terrific pressure that developed between the different methods of distribution--the pressure from consumers to buy through less expensive methods of distribution if they wanted to, and we found it impossible to enforce those sections of the original marketing agreements.

The policy that now stands on milk can be quite simply stated: Where the producers or the producers' association want the Federal Government or the Department to come into a market and help stabilize and support it, we stand ready to go in with the license and to back the licenses up with agreements if agreements can be entered into. We want to use the license to establish a production price so that all distributors have to buy on the same

basis and the same price and start from scratch. Now, beyond that for the distribution our licenses will let the competitive forces in distribution work themselves out with two reservations: First, if there is a large percentage of what is known as producer-distributors in a market, we will establish a low minimum price to control that factor, so that we won't have a destructive price situation which would break down ultimately the farmer's price by reason of the growth in volume handled by the producer-distributors.

On the other hand, if there is a tendency for margins to increase unduly by collusion among distributors or monopolistic tendencies in a market, we will move in and establish a maximum price to end that; but otherwise the license and the agreements will be used to get farmers the highest price that can be sustained in that market, with Federal support to enforce the license vigorously and promptly and see that all producers who sell on that market carry their proper percentage of the surplus and make a definite equalization in that market among distributors, and see that all are treated fairly on that point.

I have introduced Mr. Christgau to you, and we have here Dr. Warburton, Director of Extension, and Dr. Smith, also from Extension. As you gentlemen know, the field arm of the Department of Agriculture which has put these programs across has been the Extension Department. We haven't attempted to set up a field organization from the Agricultural Adjustment Administration to reach out and contact the individual farmers. The policy has been to use the services already existing in this big organization spreading out into every state and county of agricultural importance. The cooperation has been splendid and has been responsible to a large degree for the measure of success that we have obtained up to date in our adjustment program.

The Wheat Program

QUESTION: Mr. Davis, I would like to ask a question in regard to the wheat campaign. There has been more or less publicity that the acreage reduction which was sought has not materialized, and that the wheat campaign will not achieve the goal which was intended. What about that?

MR. DAVIS: I want to say just preliminary to that that the wheat program will accomplish one goal that was intended even though there isn't any reduction in acreage, that one goal being to increase the income of farmers who cooperated through an addition to their price to an average that is not far from the parity on the domestic proportion of the crop and without that being done in a way which will be an incentive to increase production. That is, even if we didn't have an acre of actual reduction, if we are able to increase the income of farmers on wheat, without that being an incentive to increased acreage, we have accomplished measurably one of the objectives. I want to make that clear. We are not apologizing for the wheat campaign. Now, there was an increase in the area east of the River. I don't think it was as great as some people think in the regions where farms are thickest (referred to the map) and the farms are smaller.

I think on the whole, whether there has been a satisfactory reduction or not can't be told until after the completion of the spring wheat seeding.

but you must remember that our campaign is figured on a three-year basis, and it isn't compared with the 1932 plantings.

The other factor is the international wheat agreement in which the United States agreed to a 15% reduction from a three-year base which is a different three-year base from the one we are calculating on. We will carry out that wheat agreement, but I am not at liberty to discuss that now because the plans haven't been finally approved.

We are doing this: Pressure from the local associations and individual farmers is rather insistent that we permit farmers to come in now and sign up for the rest of the campaign, and I think very shortly a decision will be announced here that we won't put on a new campaign but we will permit farmers to come in and sign up.

QUESTION: In connection with the wheat contracts you are reopening, how will you handle the farmer in sections where the wheat may be winter-killed?

MR. DAVIS: He would be permitted to sign up for the remainder of the period. It is a three-year contract.

QUESTION: What about compulsion, like that suggested for cotton control as applied to wheat? Does there seem to be anyone in favor of it?

MR. DAVIS: Aside from the general urge that we got from northern and western farm organizations that some means be found to prevent the non-cooperating farmer from increasing his production, we have had no specific problem raised with wheat. I believe that under the wheat plan we have a sufficiently strong mechanism that will eventually and during the life of the contract work that thing out, for this reason: Under the wheat plan domestic prices can be permitted to seek their own level without artificial support. The farmer who can help more than any other group in the United States will recognize that his income from wheat isn't dependent on this market price--but is just a part of what he gets--and that on top of that he gets a payment which will measure the difference between that market price and the parity price, so that his total income won't suffer if the market price is permitted to find its level. If the market price does find its level--and let's say it works down more or less in conformity with the world wheat supply and demand conditions--then your outsider is going to be very uncomfortable and your insider is going to feel all right. After all, the so-called Bankhead Bill applies a supplemental tax mechanism that tries to tax the excess production over a certain allotment.

QUESTION: If the world market would depress your wheat price down to 50 cents, then that would mean a benefit payment close to 50 cents?

MR. DAVIS: Yes; the farmer would perhaps get the bulk of his income from the benefit payments.

QUESTION: That might happen this year.

MR. DAVIS: It is conceivable. I don't want to predict what the wheat price is going to be. It is above the world level right now in the United

States, but if it should go down then, of course, we have the power to increase the tax, so that what the processor pays is on what is consumed for domestic consumption, and all of the excess collections go right back to the farmer in addition to his income.

QUESTION: Your suggestion is that every time the price of wheat has gone down 10 cents, instead of saying that the market has gone down, just say that the benefit payment has gone up 10 cents?

MR. DAVIS: It won't be just automatically adjusted, but that would be the rule laid down in the law that the processing tax shall be the difference between the average farm price and a fair exchange price. Now if the farm price works low, your processing tax works high.

QUESTION: How flexible is that?

MR. DAVIS: Let us ask Mr. Savoy to explain that.

MR. SAVOY: Under Section 9 (a) of the Act, it is provided that the rate shall be determined by the Secretary of Agriculture as of the date the tax first takes effect. Now, that has been determined and the rate so determined may at such instances as the Secretary finds necessary to effectuate the declared policy, be adjusted by him to conform to such requirements which are the requirements set forth in subsection b.

(Reading)

"The processing tax shall be at such rate as equals the difference between the current average farm price for the commodity and the fair exchange value thereof."

So he has the power. He probably wouldn't exercise the power every time there was a rise or fall, but he has the power at such intervals as he finds necessary to change the processing tax to effectuate the policy of the Act to conform to Section 9 (b) of the Act.

QUESTION: If there is a material change between now and the 15th of July, it is a reasonable supposition, then, that the Secretary would determine that the change should be made in the tax and the benefits.

MR. SAVOY: I would answer that, if he determines that in order to effectuate the declared policy of the Act there should be an adjustment in the rate, he would have the power to do so under the Act.

Milk Marketing Agreements

MR. DILLON: I have a question in regard to the milk marketing agreements. What would be the position of a cooperative milk marketing organization which heretofore has diverted the milk of its members--its distributors--under contract, and which has manufactured the surplus in its own plant under the agreement which you discussed?

MR. CHRISTGAU: The position of the cooperative would not change any except for such modification of contract as they are able to obtain from the distributors. We assume that if the distributors can agree to pay the farmers a higher price, knowing that there will be some stability in the market, then we will go in at the request of the cooperative.

MR. DILLON: To illustrate: a cooperative located at Oklahoma City has handled over the last two years approximately 80% of the total volume of milk entering the city--sometimes more than that.

MR. CHRISTGAU: It had contracts with distributors?

MR. DILLON: In its contracts with distributors to supply them with the larger supply of their milk to the distributors as they might place orders for it and then this cooperative through this plant built and financed for the purpose is manufacturing the surplus which at times runs 75% of that market.

MR. CHRISTGAU: The surplus?

MR. DILLON: Yes, 75% of the surplus manufactured into cheese and butter. Again, I repeat the question, what is going to be the position of that cooperative if under this marketing agreement each distributor including the cooperative as one of them, is required to handle its part of the surplus? Will not the cooperative have an idle plant on its hands?

MR. CHRISTGAU: We have a similar situation in the Des Moines and Twin City markets where the producers' organization owns its own surplus plant. The farmers then get what is known as a blended price. The producers' organization there is the medium through which the surplus is handled. The surplus is sold by the plant and the distributors are required to show once a month to the Market Administrator how much of the milk purchased is used as Class I and all his Class I returns are pooled with the surplus returns of all producers, all producers being required to carry their share of the surplus. Then it is added up and every farmer given the blended price.

MR. DILLON: Whether he sells to the distributor or to the cooperative?

MR. DAVIS: In the case you mentioned, wouldn't this be true that the cooperative was carrying the whole burden of the surplus for that community?

MR. DILLON: It has so far.

MR. DAVIS: In this case that burden would be distributed equally over all of them, and the other distributors who in the past had been buying whole milk only and letting the cooperative take its surplus, that distributor would have to take an equitable share and pay into that market so that the cooperative would be relieved of the entire job of carrying the whole surplus. The whole market would be equalized through a pool. You might make that cooperative plant the one plant that cleared all the surplus. That is being done in several of these markets, but instead of the cooperative having to carry this heavier end of the surplus, its members would only have to carry the same prorated share that any producer in the market carried.

MR. DILLON: If it does carry the entire load, it will be under agreements with the distributors or the Administrator as to how much it will receive for handling other than their proportionate part of the surplus.

MR. DAVIS: That is right.

MR. DILLON: Will the associations be required to pay the producers the same price that other producers receive from other distributors?

MR. DAVIS: Under the terms of this license unless that association itself was a distributor, this license would only require that the distributor which bought from the association paid the same price which is established for that market.

MR. DILLON: For example, a business corporation is acting as a distributor. You fix the price he is obliged to pay the farmer?

MR. DAVIS: Yes.

MR. DILLON: Then a cooperative is also a distributor and an association is also a distributor and is that association required under your rules and regulations to pay the same price that the business corporation pays the producer or is he to be allowed some differential because of special services or for any other excuse.

MR. DAVIS: Does this association and the example you have given go into the wagon distribution of milk or does it sell to another distributor?

MR. DILLON: Well, it does both. We have in New York an association that represents the producer and also acts as a distributor. The association is entitled under the regulations of the state law to make an extra charge for special services. Under our state law our state board has been fixing the price to producers. The situation has arisen where the business corporation acting as a distributor is obliged under the law to pay the producer a higher price than the association is required to pay its producers, because of this provision in the state law that they may charge the producer for some special services. That does not seem to be covered in the proposed Federal contract. It does not seem to be covered and it is making us a lot of trouble up there.

MR. DAVIS: Mr. Pressman representing the legal division attended both the New York hearings and has been following that matter, and I will pass that question to him.

MR. PRESSMAN: Both in the New York agreement and the license drafted for the New York milk shed and all the other markets where we have a cooperative acting as a distributor and may be selling part of their milk to other distributors or directly at wholesale as the cooperation in New York does, we have to distinguish between the obligation of the cooperative to account to the pool for the milk which it has thus sold as a distributor at a certain price and then they will be told that it either owes the pool a certain sum of money or is entitled to receive something from the pool because in the latter event it has carried the surplus in the market. But what the cooperative

pays out to its members itself is excluded from the license, and we don't attempt to cover that. Therefore, in New York, or in any other milk sheds the cooperative may pay to its members the sum provided for less any amount it cares to make pursuant to its contract, and we don't attempt to cover that at all.

MR. DILLON: Then as I understand it, the producers selling through a business corporation may receive a higher rate per cwt. for milk than the producers receive through the associations.

MR. PRESSMAN: That is true because the difference might well be what the cooperative is charging its members for the services which the cooperative furnishes its members, which services the non-members in some cases don't get. It is the deduction the cooperative takes off its members which in New York is a sum -- whatever they fix pursuant to its contract. It is true in most of the milk sheds we are providing that there will be deducted from the payments to go to non-members a sum equal to whatever is being deducted from members of the cooperative to furnish benefits to non-members. In some individual milk sheds, in addition to making a deduction for benefits as in New York, they deduct a sum for something which is quite different from the benefits being paid to them now. We can't deduct that additional amount from non-members, and the cooperative in New York fully appreciates that and does not expect us to do so. But in milk sheds where the cooperative is simply deducting to furnish benefits, benefits of an equal amount are provided by deducting from non-members, which means the members and non-members will be getting exactly the same price.

MR. DILLON: Suppose your association uses that differential to cut prices in the market and disturb the market in that way? Is there any check on that?

MR. PRESSMAN: Our check is that we are to see to it that the deductions being made from non-members be solely for giving benefits, checking weights and tests, investment guarantees against losses of payment by distributors and things of that sort. Similarly, amounts deducted by cooperatives from its members are used for the same purposes. A cooperative may deduct a different amount for a different purpose which we don't want to cover, which is purely an arrangement between the cooperative and its members.

MR. DILLON: It seems to some of us up there that the effect of that will be ultimately to reduce the price to the producer for this reason: The corporate distributor is going out into the territory and organizing and helping organize similar associations in order to overcome the tendency to price cutting in the market. That would incur the additional expense to the producers selling to the corporate distributor and when it is worked out in the last analysis, there will be an extra expense there to the producers that will cover them all and have the effect of that much of a reduction which now figures about from 20 to 30%. It will have the effect of reducing the horizontal price to all producers that much, unless it is covered in some way by your agreement.

MR. FRANK: Your apprehension is that the permission to a cooperative to make deductions from its members may be used by the cooperative to undersell other distributors. Is that what you are indicating?

MR. DILLON: Yes.

MR. FRANK: I think the license is so designed as to prevent that. I understand that what the license seeks to avoid is to have the Federal Government interfere with the relation between the producers and the cooperative so that, for instance, if a cooperative is using some of the deduction for paying for investments in plants or the like, the Federal Government will not attempt to interfere with the relation. On the other hand, it wouldn't be proper for the Government to say to non-members of the cooperative that there must be deducted from them a sum equivalent to the amount which is used for such purposes. But there will be nothing in those licenses which would permit the cooperative by reducing the amount to its members to undersell other distributors effectively. I think that is not in the picture.

MR. DILLON: If you leave the price to be fixed to the consumer by competition, in what way will you prevent the association from doing that?

MR. FRANK: They can undersell, but the underselling will not be due to the fact that they are reducing the amount payable to producers. They can go along at no profit if they want, and we won't endeavor to interfere with it.

MR. PRESSMAN: In other words, where the cooperative is actually going out into the market and selling as any other distributors, either wholesale or retail, it brings up the problem of the producer-distributor which Mr. Davis indicated before. In that kind of case, we might well go into a market to set a low minimum price for the purpose of protecting the producer prices.

MR. DILLON: Do you regard an association acting in that double capacity as producer and distributor?

MR. PRESSMAN: It raises exactly the same problem as the producer-distributor.

MR. DILLON: There is quite a serious problem there working with us. It has disturbed our market and disturbed our prices. It has put us all up in the air--I mean the practice that has grown up under that privilege.

MR. DAVIS: Do you think the cooperative there has been a price-depressing factor?

MR. DILLON: It has been a price-cutting factor.

MR. DAVIS: Isn't that really a problem between the cooperative and its members? I am not familiar with that specific instance. But you wouldn't think a cooperative could long endure if that was the condition. If the members are not satisfied with the service rendered, why do they go elsewhere with their milk?

MR. DILLON: They have no other recourse. There is no other place to take their milk.

MR. DAVIS: I haven't read the hearing reports, as the record isn't yet complete.

QUESTION: What will be the basis of applying one of these codes to a marketing area?

MR. DAVIS: You mean what conditions will have to exist before we will come in? We have said that we will come in when the producers want us to come in and then, in addition, in a market like New York, where you have the two state control boards -- at least, I think that question of the relation of the state control board will have to be determined -- I don't know what their attitude is toward the Federal Government coming in. If the producers and the control boards think they can handle the situation adequately without the support of the Federal Government, we will not come in. However, if the condition is such that they require the Federal Government to put the bottom under the market and insist that the producers' price be uniform and the base equalized among all distributors, I think we would go in. I say that as a general statement because I am not familiar with the New York situation myself.

MR. DILLON: One of the problems, of course, is the problem of milk crossing the state lines into the metropolitan markets, and that is the thing the Federal Government can give us the most help on.

MR. DAVIS: Of course the Federal Government can't set up a bar to milk crossing the state line. It can't say that Pennsylvania milk or New Jersey milk can't get into New York.

MR. DILLON: But they can set a price on the milk crossing the state line.

MR. DAVIS: We can put a license on all of the distributors, not just those outside buying outside milk, but those buying inside milk. We couldn't move in there and say, "We will select these farmers and support the price they get and let the rest of the market alone." I think if the Federal Government moves into a market, to the extent it goes in, its power has to be complete.

QUESTION: Would such a code apply throughout the whole milk shed or just in the marketing areas in New York City?

MR. DAVIS: It depends on the terms of the license itself. It would apply to a certain distributing area which probably would be defined and all distributors operating in that area would be subject to the same license terms and provisions if the Federal Government goes in.

MR. DILLON: You make that apply to the metropolitan markets in New York and New Jersey, without interfering with the distribution within the State of Pennsylvania itself.

MR. PRESSMAN: The present New York marketing agreement covers a certain sales area, the metropolitan sales area, and the license purports to cover the milk of all producers whose milk gets into that sales area, whether it came from Pennsylvania, New York, or New Jersey.

QUESTION: What organization would you set up for the enforcement of this?

MR. PRESSMAN: That is one of the matters which still remains to be discussed between the Administration here and the local control boards in the three states.

MR. DAVIS: In general, you can discuss the plan we use in the simpler markets where you don't have those to contend with.

MR. PRESSMAN: Where the control board problem does not arise, the enforcement machinery is simply a market administrator who is appointed by the Secretary and subject to his power of removal, that market administrator being the person who receives all the reports from the distributors in the market who indicate in such reports how they use the milk. He operates the pool, gets the prices, tells the distributors what the blended price is and checks it and sees constantly that that price paid to the distributors and the reports are correct, and things of that character. In addition, he operates the deduction fund that is the check-off of the members of the cooperative and the check-off from the non-members. To the non-members he will furnish the benefits, and for the members of the cooperative he turns that back to the cooperative to furnish the benefits to its members. Then any violations arising under the license, material which the market administrator will get in the locality as evidence of the violation will be forwarded to the Administration and the machinery here will be used by this Administration to quickly enforce the terms of the license.

A Dairy Plan in The Making

QUESTION: To what extent at all is the milk problem moving in the direction of individual farm production allotments?

MR. DAVIS: Our plan on dairying, our general, nation-wide plan, which is like our plan on these other commodities, will be developed by a procedure something like this: We get in all the views that we can get and study them here, and arrive at a tentative program which we take out for group and regional meetings and discussion, to get the views of producers and other interests involved. After we get their criticism, comment, and suggestions, then we bring them back and arrive at a program.

The basis for the general, nation-wide attack on the dairy problem is the question of an individual contract and the advance payment of benefits, so that the farmer has the money before the effect of a processing tax enters the market, I think the idea is to leave the means of accomplishing the adjustment up to the individual dairy producer. He might make it by less intensive feeding and by a wider use of grass, or he might use it by increasing the normal culling of his herd. He might, to a certain extent, consume more milk on his farm.

Then, in addition to that, we are working on two or three other suggestions that I think have some interesting possibilities. One is a suggestion that we are considering of moving from the commercial dairy area the lower-producing cows down to the million or more farmers in the United States who have no dairy cows at all. Some 800,000, I believe, are in the South. A plan of that sort would involve three-way cooperation of the Adjustment Administration, the Federal Emergency Relief Administration, and the Extension Service, and certain agencies that would look after those cows when they were moved down there.

QUESTION: Mr. Roberts says that at certain times there is a surplus in the Oklahoma City market which is equal to the consumption there.

MR. DILLON: What would you do with a man who had 5 or 6 cows on a small farm in a small market and just about able to make both ends meet on those five or six cows? Would you take them away from him and have them destroyed?

MR. DAVIS: This is an entirely voluntary program. I would say that man's situation would be such that he wouldn't want to go into it at all.

MR. BRIGGS: In my opinion we have enough scrubs down in the South now without moving any more in there. Another thing, we have thousands of farms that are small, without pastures and without good feed where they would have to buy the feed for the cow, and where the distributor probably drives by the door.

DR. WARBURTON: But they don't buy.

MR. BRIGGS: Furthermore, we have in the South a lot of tenants that drift from year to year from one farm to another, and don't take their cows with them. If you provide them with cows, they will sell probably the first chance they get, to buy gasoline.

MR. DAVIS: I wish Clarence Poe were here. That is his baby. But we understand it won't be and hasn't been the policy of the Department to adopt any program and go out and force it on an industry. If the industry wants the elements as offered to them, it will be up to the industry to say. The attitude of the local people will have to govern the distribution.

QUESTION: Why wouldn't it be logical to offer a benefit payment to the dairyman who wants to take some culls out of his herd and keep them out of production? We have a lot of low-producing cows in this country responsible to a considerable degree for the surplus production. Maybe we can eliminate them voluntarily.

MR. DAVIS: What would you do with them?

EDITOR: I think that they would go into slaughter houses to make fertilizer.

MR. DAVIS: Of course, we have to watch the effect of that sort of thing on the beef market, and it would have to be done with great care. I have an idea, and I will admit the influence of men like Clarence Poe and Mr. Trent, who have been studying this a good deal, that you can move them out of commercial production as effectively as if you kill them, by putting them in the hands of permanent people who do have an opportunity now to support cattle by reason of the reduction in contract acreage in the case of the cotton crop and to a lesser extent in tobacco.

EDITOR: It would seem unfortunate to inflict a low-grade cow on that sort of person.

MR. DAVIS: But a low-grade cow in a highly competitive area might be the best cow in the neighborhood in another area. I say that was a suggestion that was thrown out and it appeared to me to be worthy of examination. That is just one of the features of the program.

Dr. Tolley, the question has been raised as to the general dairy program,

DR. TOLLEY: The thing we are thinking about is the voluntary contracts with individual producers to sell less milk, less butter fat, than they have been selling during the base period, leaving it pretty much to the individual producer to decide how he will bring about the reduction. It is to be supposed that some of them will sell their low-producing cows; it is to be supposed that some of them will change their feeding methods, feeding less intensively; it is to be supposed that some will let their cows dry up earlier and not milk them through the longer lactation periods; and one thing we are thinking about is an addition campaign, quite an intensive educational campaign, to help farmers who are going to cooperate in every state and every county to decide individually what will be the best and most economical way for them to bring about this reduction. That would be pretty largely in the hands of the dairy production specialists rather than in the hands of the Agricultural Adjustment Administration.

Disease and the Cow Population.

A very marked speeding up of tuberculosis eradication might be geared into this program, realizing all the time that tuberculosis eradication is primarily a health measure rather than a production control or surplus reduction movement. There are something like -- 600,000 reactors. If all of them were eliminated immediately, which they wouldn't be according to our program, it would not have very much effect on the total milk production; 600,000 cows are only a small percentage of all the cows in the country. A proportion of the income to be devoted to this whole program could be set aside to supplement tuberculosis eradication formulas now being made available by the Government and between states, and that part of the program would be administered just as tuberculosis testing and eradication has been administered in the past.

QUESTION: Will any consideration be given to elimination of these cows on the blood test?

DR. TOLLEY: We have given a lot of thought to Bangs disease or contagious abortion. It can not be eliminated from a premises or from a herd as positively as tuberculosis can. If we should include that as part of our program, the result would likely be that at the end of the period, while we would get rid of a good many cows, probably we would not have made any very marked progress in the elimination of the disease. On that account we have tentatively, at least, decided to recommend against the inclusion of that in our program.

MR. GREGORY: If the states were to work out a long-time, constructive program for the elimination of diseased cows, which many of them in the Middle West are prepared to do, then if a certain amount of cattle are to be eliminated on the Bangs disease basis, even though you weren't prepared to finish the job, you still would be giving an impetus to a state program that a good many people feel must come sooner or later.

MR. CHRISTGAU: Yes. Here is a producer who signs up with us to market less milk than he did, and he is going to get so much benefit from us for doing it. At the same time if he goes ahead with a state program and reduces his herd through eliminating animals affected by Bangs disease, it would be all to the good.

QUESTION: I would like to come back to your original proposal, Dr. Tolley. I haven't found in my rather extended contact and correspondence that there is any very general support for a feeling that that is a practical method of approach to reduction of dairy production. I wonder if you had a different reaction.

DR. TOLLEY: Our ultimate objective is to increase dairymen's income. Reduction is just a means to that end. Do you mean that your information indicates that a contract of the kind that was just outlined here wouldn't result in less sales and higher prices?

QUESTION: No, the dairy farmers whom I contact at least believe it is an impractical thing to set up a quota on milk production.

DR. TOLLEY: We aren't setting up a quota on milk production but a quota for milk sales.

QUESTION: What would you do with producer-distributors in a case like this? We have about 30 or 40 who are large distributors of Grade A milk. All the herds have to be blood tested and T. B. tested, and they have to show a pretty high score. What check would you have on those? You would have to have a corps of folks to find out whether they are living up to their contracts.

DR. TOLLEY: That is the problem we have in all of our production programs--every one of them.

MR. GREGORY: Mr. Davis, the thing we are interested in out in our country is how soon you are going to get started on this dairy program.

MR. DAVIS: I believe that we can have a tentative program built up on all these suggestions ready to go out for regional conferences early in March.

MR. GREGORY: It would help very materially our dairy farmers who want to sign up on the corn and hog program if they knew definitely what the dairy program was going to be.

L.L. RUMMELL: What is the principal policy relative to marketing agreements? Do you feel that weakens the position of milk marketing commissions in Ohio, for instance, where they have been setting the price to the consumer as well as the price to be paid to the producer?

MR. DAVIS: How are they getting along on that?

MR. RUMMELL: So far they have been setting the price both ways.

MR. DAVIS: Are they maintaining it all right?

MR. RUMMELL: It seems to be going along.

MR. DAVIS: If the market is satisfied with the conditions there, then there is no reason why we should move in.

MR. RUMMELL: You haven't had any milk marketing agreement that has applied in the State of Ohio?

MR. DAVIS: If they reach a condition where they want to apply a marketing agreement, we will be glad to move in there.

MR. RUMMELL: Will you move in there without the permission of the Ohio Milk Commission?

MR. DAVIS: That is the same question we have in New York. We would want to move in with their cooperation and support.

QUESTION: In the case of New York, will New Jersey and Pennsylvania be consulted?

MR. CHRISTGAU: We intend to have a hearing with the New York, Pennsylvania, and New Jersey control boards, and the New Jersey people have already asked for a chance to show their viewpoint.

Dairying and a Processing Tax

QUESTION: I have received numberless reports from farmers indicating that they do not believe a processing tax can be applied to the dairy industry with reasonable hopes of success. I wonder whether you have examined that aspect of the case.

DR. TOLLEY: There again when you say a processing tax can not be applied, do you mean it would be impossible to collect a processing tax

in order to get benefits to pay farmers?

QUESTION: No, that it couldn't be applied in effect to the dairy industry as an industry to secure any benefits to that industry.

DR. TOLLEY: I think there isn't any particular question about the ability of the Bureau of Internal Revenue to collect a processing tax. It doesn't seem to me there is any question about the legal authority of the Agricultural Adjustment Administration to levy a processing tax, and the proceeds of the processing tax, whatever they are, piled up in the Treasury, will be used for benefit payments to cooperating producers, so it seems to me there wouldn't be any question about that.

QUESTION: Our people generally believe they will have to pay the processing tax eventually. They may gain something from the man who can't come under it by getting the benefit of the tax he pays. He does expect to gain from the contribution of the other man who thinks he can not come under the production reducing program.

DR. TOLLEY: That would be the worst that could happen, if all of the processing tax were pushed back on the producer and none of it moved on to consumers or was absorbed by processors and distributors, and then, of course, what you say is what would happen. But you ask: To what extent will the processing tax on milk, butter, cheese, etc., be borne by the consumer and to what extent will it be borne by distributors and processors in the way of narrower margins? We have no way yet, of course, to answer that, especially with respect to dairying, because we haven't had any experience. I think our experience in other things indicates that just as soon as production control can begin to work, so that we don't have a big over-supply in the market, so that there really is a demand from the consumer for the products, that is just the time the processing tax will be passed on to the consumer. To the extent that our production control is successful in removing excessive supply and giving us a nice, easy flow to market, the processing tax will be borne by the consumer.

Then to what extent will the distributors and processors absorb the processing tax? Again we don't have any experience in dairying, but our experience in pork just now indicates that under some circumstances, at least distributors and processors will bear a part of the processing tax. I don't think we can look for that to be a big thing, but that would be one thing.

When our production control can become effective and we really get less production, then a good part of the processing tax will be of real benefit to the farmer and not come out of the producer. Many of the things we hear from farmers with respect to the farmer paying the processing tax is a result of statements by those who are unfriendly to the entire program, using that to build up feeling against it.

Who May Participate in Dairy Programs

QUESTION: My other question was as to what percentage of dairy farmers would come under your adjustment program. What percentage can if they will?

DR. TOLLEY: Any dairy farmer who can establish a base will be eligible to come under the dairy program. That means any dairy farmer who has sold milk of its products in 1933 and 1932 and can furnish to his milk committee satisfactory evidence as to the quantity will be eligible.

QUESTION: Then a new producer would not qualify?

DR. TOLLEY: A man who hasn't produced milk for sale in 1933 or 1932 would not qualify; that is right. That is the situation with all of our other programs.

QUESTION: That would take in fluid milk producers?

DR. TOLLEY: We are thinking about the entire industry--fluid milk as well as manufactured milk.

QUESTION: It would be pretty difficult for a small farmer shipping cream to establish the quantity.

DR. TOLLEY: That is one of the problems. I know Mr. Gaumnitz and several people have been working on that for several weeks, getting a satisfactory method that will be reasonably equal for a farmer who sells to a local cream station.

MR. GAUMNITZ: As far as we have gone with it, I think we can get a reasonable check on those sales.

MR. DILLON: Would there be any prohibition against beginners?

DR. TOLLEY: Mr. Davis said this was all absolutely voluntary.

The Beef Cattle Situation

QUESTION: What is the situation of beef cattle? Is it contemplated to put a processing tax on them?

MR. DAVIS: Of course, we have no power so to do under the law as it stands today. I am inclined to think Congress will pass the amendment making cattle a basic commodity. In that case, the same procedure would be followed. That is, we are working now on various plans. In getting at the beef supply situation, the same procedure would be followed--going out to the country and getting the reactions of beef cattle people to the plans and perfecting the plans which will have the support of the industry before we move ahead on it

at all. Mr. Petrie, do you want to comment on that?

MR. PETRIE: There is no available machinery whereby anything can be accomplished. The joint meeting of the dairy and beef men assembled here in January agreed 100 per cent on resolutions. One of the things discussed and agreed on was that it was necessary immediately to put into effect a production control program, that program, to begin with, to take out of production 3 million cows. Of course, they wanted to take them out this spring. Until the bill is passed, of course, that can only be accomplished to a measured degree.

In addition to that, they won't quite complete the undertaking because we have a surplus now, an accumulation, of a little over 8 million cattle since 1928. The unfortunate part of it is that the offenders in the matter of creating this surplus are the dairy people, there being about 25 million dairy cows and 10 million beef cows. Another complication is the attitude of many feeders. They are not interested so particularly in production control as they are in buying cheap feeders, so there are really three factors to be reckoned with when the time comes.

But the unfortunate part of the situation I think you gentlemen should all grasp is that on account of this great accumulation of dairy cattle, people generally, and particularly in the smaller communities, are being fed a whole lot of inferior beef on account of the preponderance of dairy cattle. That is only one of the reasons for our reduction in per capita consumption to 47.4, the lowest period in history. That was 1932. We did a little better in 1933, but the whole thing is indefinite, uncertain, and nothing can be done until there is a loan created whereby some of these can be given assistance.

Processing Taxes Benefit Farmers

MR. DILLON: Is there any prospect that farmers in the East who are now paying the processing tax will share in the cash benefits later on?

MR. DAVIS: As I said, the use of the processing tax and the adjustment payments are only means to the end of adjusting this over-supply situation in port, and I think there are very definite signs that they are getting some benefits now. I made a comparative check, or had one made and examined it with some interest, of the prices week by week of the 8 principle markets, including eastern markets as well as western, since September as between 1932 and 1933, and then on into the new year 1934 as compared with 1933 on hogs, and with the exception of the first week in September, the average price this year has been higher than the average price in 1932, and the difference has been increasing quite substantially since last January as the effect of the little pig purchase campaign began to be felt.

At the time, the processing tax moved up 50 cents on the first of February, there was a rise of \$1.25 or more a hundred in the price of hogs. Now this money that comes in from the processing tax is all going back to farmers in New York state if farmers has signed the contract, just the same

as it would go into Illinois and Ohio. Our experience up to date shows that 93 per cent, approximately, of the money collected from processing taxes gets back to farmers. The administrative expense charged to processing taxes only amounts to about 2 per cent.

QUESTION: Is this tax collected from farmers who have not signed the contract in the East?

MR. DAVIS: It is a processing tax on all the processed product. As Dr. Tolley points out, it isn't collected from the farmer but from the processor.

QUESTION: But ultimately farmers have to pay it?

MR. DAVIS: I don't think so.

QUESTION: They have in the East, Mr. Davis.

MR. DAVIS: What is your price of hogs today?

ANSWER: I don't know-- I am not familiar with that.

MR. DAVIS: It is better than 5 dollars, isn't it?

ANSWER: I think it is about 5 dollars.

MR. DAVIS: What was it a year ago?

ANSWER: I couldn't tell you.

MR. DAVIS: I think it was around four, four and a half.

ANSWER: I see your point--that the whole process has raised the general price level.

MR. DAVIS: Absolutely. I don't want to have you carry away the impression that we agree eventually that the farmer is going to pay this processing tax. You have a condition where over-supply is the big, dominant factor and nothing else is being done, then in a perishable commodity the tendency is for the farmer to pay it for a time until the effect of the program is felt.

Government Hog Buying

We took 6 million little pigs out of production which ordinarily would be moving to market as full-grown hogs now, and that has reduced receipts and strengthened the market. In addition, we were buying during January about 23 thousand head of hogs a day for relief purposes that are being used by Harry Hopkin's organization to feed the needy and underfed, and we arranged February 1 to increase that to 33 thousand head of hogs a day. The purchases at the present time are not to the full extent of that

33 thousand head. Those things are supporting the market and bringing a new competitive situation as a result of the processing tax which prevents the full processing tax being passed back to the farmer.

Dr. Warburton, I wonder if you would care to say something about the Extension Service?

DR. WARBURTON: These folks are among the best friends we have. They are familiar with the part the Extension Service has played in this adjustment program. They have always cooperated with us in a very fine way, particularly during these last few months, in working with the Extension Service and informing farmers of the provisions of these different contracts on the need for adjustment.

MR. DAVIS: We appreciate very much your coming in, gentlemen, and your patience in listening to us and the support you have given us out in the field. We know you will feel free to criticize when we need it, and we hope you will support us when we merit your support.

(Conference adjourned at 3:30 P. M.)

3:45 P. M., February 22, 1934.

Cotton

MR. COBB: It seems like old times to see as many faces here today as there are of the group that I have been associated with for many years. I think if the Secretary were here, I could prove to him by the very fact of your presence that the Agricultural Adjustment Administration is succeeding. You have at least got enough money to travel on, and that is something new.

We have, of course, completed the first year's work. I believe it is generally acknowledged that it not only did a splendid service to the South, but that what the farmers did down there under the leadership of the States and the leadership here in Washington has contributed to national recovery in all of its phases.

As I look over the final tabulated statement covering the performance of the farmers themselves, I have the feeling that certainly there must not be another case that ever approached it. Approximately one million forty thousand contracts were received in Washington that covered the originals, supplements, and duplicates. Approximately one million twenty-six thousand contracts were certified through their performance certificates. Of the original contracts that came in, approximately ninety-eight percent have in the meantime been carried out. I imagine that that must be a high water mark in percentage of performance, and refutes a good many of the statements that earlier were made to the effect that farmers did not work together and that they could not cooperate in any great undertaking. I do not believe that there is a case like that on record in the history of any business enterprise.

The checks have practically all gone out - \$112,400,000 have gone out in the form of benefit payments to cotton producers. The last of the approximately fifty million dollars in profit on cotton options has gone out, making a total of approximately \$162,000,000 that have gone into the cotton belt in the way of benefits and cash on options.

I believe it is undoubtedly true that if the entire 1933 crop had gone on to harvest, a crop that would have ranged around 17,600,000 bales, the price probably would have been around five cents. I do not believe anybody has suggested a higher figure than that, and many have suggested a smaller figure than that. I believe that the entire crop will sell at a greater price than the $9\frac{1}{4}$ cents of the December 1st price, on which the value of the crop is fixed by the Department of Agriculture. But if you use that figure, it runs the value of the 1933 crop up to a point where it has a value greater than any crop that we have harvested since 1929, when it sold at 16.8 cents a pound. This interesting fact is of very great importance. We export normally around sixty percent of the cotton crop. That means that if we export no more than sixty percent of the 1933 harvested crop, which will be a smaller than normal export, calculating the value of those exports at the December 1st price of $9\frac{1}{4}$ cents, we will draw back from our foreign buyers approximately fourteen million dollars more, because of the increased value, than the cost of the cotton campaign. It is a case, as somebody has already stated, of eating your cake and having it too, for we still have the \$160,000,000 that we invested in the campaign as a national

asset, and then we are adding to that certainly not less than \$175,000,000 if we have no more than normal exports, and if we value them at no more than $9\frac{1}{4}$ cents, which is the farm price. That same thing perhaps would not apply to any other crop because no other crop is exported in such large quantity as cotton.

The Present Program

Now, with reference to the 1934 campaign, we have approximately completed the sign-up. My estimate would be approximately 15,500,000 acres in sight. The tabulated statements show that approximately 14,250,000 acres are already accounted for. That will run somewhere between 35 and 40%. It is running, now, approximately 37%, and you remember that the minimum was 35% that could be taken out, and the maximum 45%. We will come within that range, and I imagine the final figure will stand at approximately 37%--that is, we will take out of the base acreage approximately 37%.

MR. BRIGGS: What seems to have been the difficulty in Texas, from your viewpoint?

MR. COBB: One of the chief difficulties, Mr. Briggs, was the fact that you have such a wide area in Texas that over any long period of years has a low average yield, and it was that particular area or the demand from that particular territory that made it necessary to lower the minimum from 100 pounds to 75 pounds. Now, that territory over that base period could not qualify under the 100 pound minimum limit. Now in good years, that territory is capable of producing good crops, as you people know.

Also, there was a large area there that was affected by drought, and during the height of the campaign in some of your better cotton territories you had a lot of rain and that slowed it down and kept them from getting in, and anything that slows down a campaign always has a very undesirable influence and effect, as they just kind of lie down and lose their interest and enthusiasm.

MR. BRIGGS: Don't you think a part of this slowing down is the result of differences of opinion between the landlords and the tenants? As to division of rentals?

MR. COBB: I think some of it was. I would say to a considerable extent that that would be true. But I think the thing perhaps that had more to do with it than anything else was the question of the low yield and getting under way slowly.

MR. BRIGGS: These low yields in these areas result, of course, in periods in which they calculated an average yield and then had a drought, for instance.

MR. COBB: That is it exactly. It eliminated wide areas, and even lowered some areas from 175 pounds to a point where it still left out thousands of farmers. But that was about as low as the Department felt it could go.

Foreign Competition

QUESTION: How big a price would it take to encourage more foreign competition?

MR. COBB: I imagine that when we get up to fifteen cents, with the world situation, what it is at the present time, we might encourage the cotton producing territory to expand back toward what their past limits have been.

About the only opportunity they have, is to expand back to limits they have occupied in the past. That would not be true of Russia because Russia has withdrawn from a lot of territory that they attempted to occupy in their long-time agricultural program. They have withdrawn back to the Turkestan territory, their old cotton territory, which in my judgment will limit their production of cotton for all time to come.

Beyond that we have the limitation of the population needs for food and feed. That is true in Egypt, and it is even more true, I think, in India, and many other cotton producing territories. They have a very, very dense population that must be fed, and that ought to be clothed. They are not always clothed, but they have got to be fed. When there is any great expansion of cotton it must be done at the expense of lands that normally probably should be planted to food and feed crops.

I do not believe there is much trend outside of the United States in the way of expanding cotton territory.

Dr. Myers, what is your thought of the breaking point at which the foreign cotton territories would perhaps sacrifice food and feed land to the production of cotton?

DR. MYERS: I do not believe it would be humanly possible to name the price that would bring in foreign cotton production at the present time.

India has been decreasing its cotton acreage for several years up to 1933. The yields in India in the previous two years, 1931 and 1932, were low, a good deal below normal. This year apparently her yields will be back up again.

China has had a few poor crops, and it has come back.

However, as Mr. Cobb pointed out, any rise in price will give relief to foreign producers where they have been producing cotton and have cut their acreage for a few years, such as we did in our own South where, of course, any recovery in price to normal will undoubtedly result in their bringing back their cotton acreage to normal again.

Any increase in price will affect foreign cotton production to some extent just as it will domestic cotton production. Our problem is really whether we should try to put world cotton prices on a level that would force foreign producers out of the field and give us the field. If we try that, we will have to beat the price down and hold it down because they can produce cotton in some foreign countries very cheaply. On the other hand,

cotton prices would have to incline to very profitable levels to have a recurrence of these expansion programs abroad, such as we had from 1922 up to 1925.

QUESTION: Is there any part of the program extended to cover the by-products of cotton - cottonseed and hulls? In Oklahoma we have quite an industry of feeding cattle, and right now they are charging \$12 a ton for hulls.

MR. COBB: This program has to do with nothing except lint.

The only thing, perhaps, that can be done about that particular division of the industry to which you refer will have to be done through codes or agreements. A ginners' marketing agreement is now in the process of being signed by the ginners themselves, which we hope and believe will prove a very great and very far-reaching benefit to producers. Codes are pending, covering the crushing and cottonseed oil refining industries. They are well along toward the final hearing, for both the refiners and the crushers, but they are codes, not marketing agreements.

In passing, I might say that this 1934 program provides for three payments: the first we hope to be able to get out in March or April -- approximately \$50,000,000; the second, in July or August, approximately \$50,000,000; and the third in December, approximately \$25,000,000. That method of disseminating the payments was done deliberately in order that we might have the money available to cover the production of the crop and the harvesting of the crop and meet pressing needs at the end of the year, trying to use it as a device to get away from the credit system that has beset the cotton industry in the South for the last 75 years certainly.

The Bankhead Bill

MR. BRIGGS: To what extent does the Bankhead bill guard against the bootlegging of cotton for manufacture?

MR. COBB: They can't break a bale without paying the tax on it.

MR. BRIGGS: Can't they manufacture without breaking the bale?

MR. COBB: No, sir. We did go into that quite thoroughly because it became quite apparent that if the price of cotton went up toward anything like parity there might be opportunity to load it on barges and unload it on some island where a gin might be set up, where they will gin it and bale it and then go ahead and export it. All kinds of problems have come up for discussion in that regard, such as the question of getting it over the border from Texas into Mexico.

DR. POE: On that matter of exemptions, you read that if a person held cotton over a year that it was exempt from the tax.

MR. COBB: Yes.

DR. POE: Doesn't that apply on his quota if he has one for the following year?

MR. COBB: He goes ahead and substitutes that for the cotton he might produce the next year, and that has what seems to me to be a desirable effect. It has a very discouraging effect on the disposition to plant more cotton than ought to be planted to achieve the quota, and then it would hold this cotton on the farm.

DR. POE: Yes, and when the farmer has his cotton on the farm he has a tangible surplus, and if he has sold it and somebody else has the surplus figures, it doesn't mean anything to him. You figure, I take it, that none of this tax will be paid?

MR. COBB: I do not think any of it will be paid; that is, if our conclusions with reference to the amount of the tax are well founded. The tendency, I think, would be to take that cotton back home and hold it on the farm. I think perhaps another tendency will be very late in the year, when the poorer quality of cotton is usually harvested, to leave that cotton in the field and destroy it. I do think, however, that rather than pile up a surplus in cotton, that surplus would be destroyed. You have seen the cows turned in on it, and you have also seen it plowed under.

DR. POE: Right now there is no limitation on the contracts outstanding, and you know that part of the campaign was that if you made a reduction in acreage, you could go right ahead and produce as much cotton as you can. That wasn't in the contract, but it was understood by the farmers. Now you are going to come along and say that that is true, you can grow so many acres, and you can also at the same time produce just so many bales. How are you going to satisfy the farmer who doesn't understand what is in the Bankhead Bill yet?

MR. COBB: I think most of them have heard about that.

MR. ROBERTS: So far as the idea of allotment of bales to each grower is concerned, that idea is prevalent, but not in addition to the contracts already signed.

MR. COBB: I think that is pretty well understood. But there is a point that has concerned me very much, and that is the reason for raising this from 9,000,000 to 9,500,000 bales. I have been contending for 10,000,000 because there is not any very great likelihood that we will produce more than 10,000,000 bales on the acreage that will be planted to cotton this year. On 25,000,000 acres, that would make a production of at least two hundred pounds of lint to the acre, and that would be some thirty pounds or twenty-six pounds more than average production. I figured that that was more than enough to take care of that particular problem. It is a real problem, all right.

MR. ROBERTS: There is sentiment prevailing out in Oklahoma as to whether the fellow who didn't sign the contract is going to be kept from increasing his acreage. I admit it was a shock to me that it was being seriously considered limiting the surplus of those farmers who have signed those contracts in good faith.

MR. COBB: My own feeling is that there isn't much to worry about on that point unless we make much more than a normal yield of cotton. Now the yield we made last year was the greatest acre yield since 1898, and I believe the next higher was the year before of 198 pounds - maybe 192 pounds.

QUESTION: Out west we are more concerned because our acre yield is so wide between one season and the other, and there arise many serious questions. What is going to be the position of the farmer who raises no cotton? Will he be permitted to carry it over to the next year?

MR. COBB: He will be able to carry it over to the next year.

MR. ROBERTS: Owing to the climatic limitations of western Texas and eastern Oklahoma, our yield of cotton varies very widely. This year out through that section, guessing roughly, we may get 225 pounds to the acre in the territory which I am thinking about, and next year it might be less than 125 pounds, or 100 pounds less than this year. Where a yield fluctuates widely from year to year, there is also a wide departure between actual yields and average yields. And in years of severe drought, such as 1911, 1917, 1918, and 1923, every one in that section of the country would have certificates of exemption which he couldn't use.

MR. COBB: He can hold those certificates over. They are good until they are used.

MR. ROBERTS: Think of the rank discrimination that is against him. You are tying him to the limitations of the climate for one year without a chance to make it up. You take care of the man, and there will be thousands of them, who because of a good season produces more than his quota any year. You do provide for the fortunate man in an area where they have good weather conditions, but I do not believe you do take care of the man who produces less than his quota.

MR. COBB: These bale tags are good until they are used. For instance, he would get his 1935 quota, and it will entitle him to, say, ten tags. In 1934 he was also entitled to ten tags and received ten tags, but didn't use but eight. In 1935 he would have two tags plus ten tags which would allow him to gin tax free twelve bales of cotton. That is actually the way it does work.

QUESTION: Did I understand you to say that this production quota in bales will be applied to cooperators just the same as it is to non-cooperators?

MR. COBB: Oh, yes.

MR. ROBERTS: I think some have uttered objections to that that I think are perfectly justified as far as Oklahoma and Texas are concerned, because it is very possible in areas where they can use fertilizer to advantage to grow just as much on ten acres as a farmer can grow on twenty, and there is only a small part of Oklahoma and Texas where they can use fertilizer to advantage.

MR. COBB: I will say personally that as far as I am concerned I am in favor of 10,000,000 bales next year, particularly if that could be distributed over the belt.

QUESTION: What would prevent the eastern part of the country, if it had a good year, and the western part was burned out, from storing on the farm its surplus, so to speak?

MR. COBB: That is not intended. I think this statement will clear up a lot of the questions you are asking, that the intent of this whole measure, as it applies to cotton, is to hold the supply and demand in balance and to get back as quickly as we can to adjust supply to demand by normal production. In other words, we would like to produce around 14,000,000 bales of cotton each year and market them each year.

MR. ROBERTS: I am bringing up a very practical question which you might meet this year if this was passed, which I hope isn't passed. If you raise a good crop in the eastern part of the United States (drawing a line down the Mississippi River) and the quota for the territory east of the Mississippi is 5,000,000 bales, and west of the Mississippi it is 5,000,000 bales, and east of the Mississippi you have a good crop and you grow 6,000,000, and the west is burned out and we grow 4,000,000. In the east you have a surplus of one million bales, and out west you have a deficit of one million bales, but in total you have 10,000,000 and the market demands all of it. All of it will be fed into the market?

MR. COBB: Yes, I think that is definitely provided for.

MR. ROBERTS: In that case you have to set up a broker's office to handle these certificates, or otherwise they will be trading with them freely.

MR. COBB: The Secretary retains a right in here in a case of that kind to turn that cotton loose.

MR. WATKINS: I think the answer to the question is this, that there will be a means for exchanging the right to sell. The bale tags that are not usable may be sold, if the owner doesn't want to hold them over the following year. The bill now carries a provision which makes it a five thousand dollar fine to speculate in these bale tags, and it implies that it must be done, that is, a means set up providing for the proper exchange of these rights to sell.

MR. ROBERTS: Under the Agricultural Adjustment Act?

MR. WATKINS: Yes, and through the county organizations that we have in existence already, perhaps, to carry it on.

MR. ROBERTS: It means it will work as a broker between the two parties?

DR. MYERS: It won't necessarily have to be done by the Agricultural Adjustment Administration, but at least under the inspection of some government body.

Undoubtedly, there would have to be some regulation to determine at what price they could be bought and sold, and what discount on their total value would be allowed in sales.

MR. COBB: I can conceive of a great many abuses that would arise out of this kind of thing that would have to be corrected if they do arise. I do not believe we can anticipate all of them now because I believe that is impossible.

MR. ROBERTS: The main thing is to give the Secretary authority to change them.

MR. COBB: There are just a million abuses arising out of things of this kind, and the provision is made in here for the application of administrative rules and regulations to take care of that thing.

MR. ROBERTS: Then you bring in this principle too. In certain counties in Oklahoma we have expanded cotton production to the limit, and in certain communities all of the land is in cotton now and has been for the last five years. Now you tend to give those folks a vested interest in cotton, and at the other end we have people who are in livestock, and they are almost excluded from changing from livestock to cotton.

MR. WATKINS: Mr. Cobb, may I go back to one of the early things you said? In the items you listed as amounts paid to cotton growers this year, there was an item of cotton option. Was that a realized profit or a book profit, or partly one and partly the other?

DR. MYERS: The Agricultural Adjustment Administration and the Cotton Commodity Credit Corporation will loan up to 10¢ per pound on those certificates so that the farmer can realize 4¢ per pound on his option. That much is certain, and he will not, under the conditions of the contract, if he participates in the 1934-35 cotton acreage programs, be called upon to make any returns to the Commodity Credit Corporation in case the price goes below 10¢. The farmers who have taken their loans on these options, as I understand, have not necessarily closed them out. They may close them out at a still higher price so that they get more profit on them than now, but not less.

DR. POE: There is one thought I should like to present. Somebody quoted one of the big business men of America a few months ago as saying that about the only stabilizing influence in the United States to-day is faith in the President. Just because he has approved the general principle involved and has committed himself to this bill I think everybody, therefore, for the sake of the country as well as the President should be interested in putting this into the most workable form possible and a form causing as little reaction as is possible. It places a double responsibility on all of us for that reason, and I think it is highly important to have it adopted by a referendum of the growers themselves so as to have it something that is not imposed on us, and it would seem necessary to have that referendum very hurriedly because the cotton planting will begin pretty soon.

MR. COBB: The 1934 program is already accepted as a referendum. That is, the signed contracts.

DR. POE: But that wouldn't meet this precise limitation of rules in the Bankhead Bill. My feeling is that there ought to be a separate referendum on the provisions of the Bankhead Bill because, as Mr. Roberts said, the man signing the cotton contracts not only didn't sign the agreement to all the provisions of the Bankhead Bill, but he didn't even know that they were coming.

MR. COBB: It won't apply until next year any way except as it simply accepts the 1934 program as it is. You would, as that brief points out, avoid the 1935 provisions of the 1934-35 contracts.

DR. POE: You mean quotas wouldn't be assigned to farmers this year?

MR. COBB: Yes, the quotas would be assigned this year, but you would go ahead and pay benefit payments and parity payments. All that goes on; it doesn't supersede that.

I believe the amount of cotton that is going to be allocated under the Bankhead Bill will be all the cotton we will produce in a year. I don't think it is humanly reasonable to assume that we will produce more than that. They are giving consideration to that and are trying to make the 1934 quota under the Bankhead Bill liberal enough to take care of any possible production that will be harvested from this year's planting. I think, automatically, the tent will be big enough to house the thing.

DR. MYERS: I think it should be pointed out that there may be differences that will apply to individual growers in the nature that has been pointed out. One man might exceed his quota; I don't see that any possible precautions could be taken in the total number of bales you are intending to make allotments on this year to prevent some individuals from exceeding their quotas and others from falling below and the only thing I can see to take care of it is the exchange of allotment certificates.

(Reporters dismissed at this point--5.30 p.m.)

9 A. M. to 11 A. M.
February 23, 1934

THE LONG-TIME PROGRAM

DR. TOLLEY: The current phase of our program has a lot to do with the land problem in the United States, and a lot to do with international relations, and some how or other we have got to get from our present emergency program over into a longer term program. We might start by asking Dr. Tugwell to talk a little about the land problem and follow that up by Dr. Ezekiel talking a little, and your asking some questions, about international relations.

DR. TUGWELL: I take it that you know all about the basic studies of land uses which have gone on in the Department and other places for a long time. We are rather proceeding on the basis that is laid down by those studies rather than reversing anything which has hitherto been adopted. The idea, of course, is a very simple one. The Secretary stated it yesterday--that we believe in greater yields from smaller fields--and if you believe in greater yields from smaller fields, you raise a lot of interesting questions immediately because if the fields are going to be smaller, there are going to be more of them.

The question is, what are you going to do with the fields you don't use any more. Not only that, but when you don't use fields any more, you usually discover that some people have been living on those fields that you aren't using, and what are you going to do about the people? These are all questions that you can't laugh off; they are serious questions and you have got to answer them.

But there is the question too, if you do move over from an emergency program which reduces the amount of land in cultivation by renting land from year to year, so to speak, by making benefit payments in return for agreement to keep land out of cultivation, it is quite obvious that some time somebody will ask you the question, "Why don't you do this permanently; why don't you do it every year?" There is one answer to that question which can be made, and that is the benefit payments are not particularly to be thought of as rental for land. They are to be thought of as a part of the price that the man gets for his product. If the price of hogs is \$4, and if we pay the farmer \$2 in benefit payments, then we figure that the price of hogs is \$6 not \$4, no matter what he did in return for the \$2 that he was paid.

But the question is sure to be raised whether we can go on year after year with this kind of program, and the question is sure to be raised whether or not we ought to use at least part of the processing tax for the permanent retirement of land, and if we are to permanently retire land in that way, whether or not we ought not to think of some other way to do it. Well, we have done some things of that nature. The President announced in the middle of last summer, as all of you know, that as fast as new lands were added to cultivation in the United States through reclamation projects, and so forth, which we were going into at that time somewhat more rapidly than some of us thought we ought to under the public works program, that as rapidly as lands were brought in by this kind of effort, funds would be set aside to take lands of equal

productivity out of cultivation so that they could be set aside and put into some kind of reserve which wouldn't compete with ordinary crops. That policy was easier to state than to carry out, as we afterwards discovered, because there is a great deal of opposition to it from various people who don't want reclamation burdened with the extra cost of retiring land of equal productivity from cultivation.

We did get \$25,000,000 allocated to us from the public works fund, and then we did something that might at first seem peculiar, but which seems to me to be quite logical and the right way to do it. This \$25,000,000 was turned over to the Surplus Relief Corporation, and the Surplus Relief Corporation was made the land-buying agency for all these various organizations. The reason for doing that is that the Surplus Relief Corporation is a subsidiary of the Federal Emergency Relief Organization. Now the Relief Organization knows where stranded populations are, knows where indigent people are, and knows the people they have to support on relief rolls, and so forth, and knows how long it has had to support them and whether there is any immediate prospect of their becoming prosperous again or even whether there is any prospect that they may begin to make their own living again. Knowing these things it can direct its efforts more to the human problem than to the land problem. Of course, they are both tied together.

We look at this thing not as it has usually been pictured, but I think rather the reverse of the way it has been pictured. You have an area, or perhaps a whole region in which it is impossible for people to make a living on the land because it is too poor, because it is washed out, and unused for a long time, or because it was left as forest or range land, or some other reason. And you find these people are stranded on these homesteads, and there is nothing they can do about it because they haven't even funds enough to pick up and get away. Those people for years have been on the relief rolls. There are places in the United States where ninety-five per cent of the people in whole counties are and have been on relief rolls for more than two years. That is the situation, and so far as anybody can see, there is no prospect of their ever getting off relief rolls unless you let them starve.

Obviously in such a situation, you ought to do something more than continue to feed them forever. You ought to think of what you can do to rehabilitate them and set them up in business somewhere else possibly. So our concept of the thing is that having all these activities more or less concentrated in the Emergency Relief Organization, they can think first of the human problem. It is pretty good evidence that a region is sub-marginal when people can't make a living there for a long time. And also when that situation exists, it is fairly obvious that something should be done about the land.

Only after these steps have been taken do we meet the marginal land problem head on. Then we go in with whatever funds we can get and buy that land. Then we incorporate it in one of the regular administrative agencies of the government, such as the Forest Service, the Park Service, or some other administrative service, and divert it to whatever uses it can best be devoted to grow trees, or build a bird refuge (you hear a good deal of wild life these days, and this is one of the ways in which we can do something about wild life).

Those are all things we have been working at, and this is, as you will see, not something that we get all steamed up about and want to do something about at the minute, but it is something we regard as something to be studied out carefully, worked over, and looked into, and then with a good deal of deliberation. Although, of course, there is some emergency about it, still we think it is much better to go slow and know exactly what we are doing before we take any steps.

RECLAMATION

MR. ROBERTS: You suggested, or it has been suggested, you said, that in this land that you would reclaim, it would be of equal productivity with the land taken out of cultivation.

DR. TUGWELL: It is simply to avoid the criticism which has been made of reclamation projects that they were adding productivity to an already surplus agriculture, and it was to get out of that criticism.

MR. ROBERTS: You might take out four thousand acres and reclaim one thousand acres. That is equal productivity.

DR. TUGWELL: Yes, we probably would. As a matter of fact, equal productivity usually works out to equal money rather than equal acreage. That is about the way it works.

MR. ROBERTS: Have you given consideration to the use of public domain in the mountain states?

That is an immense area that is already owned by the government, under its complete jurisdiction, and which in theory at least can be at once sequestered by the government or used in any way it might be fit.

DR. TUGWELL: Yes, it can be withdrawn from control by executive order.

MR. ROBERTS: It is a difficult problem, and I recognize its significance. That range is over-stocked very greatly because ever since 1924, especially over the southern half of it, there has been especially good rainfall and abundant grass, and the natural consequence is that it has been stocked on the basis of maximum grass yields, and one dry year is going to result in disaster to those people individually and another severe setback to the livestock industry, due to the fact that a large percentage of the cattle is going to have to be moved out, and always on such land which is over-stocked, whether by a dry year or two, over grazing is inevitable. I would suggest it as an immediate problem as well as a long time problem in that area.

DR. TUGWELL: The grazing bill ought to help that situation, at least to give it some control.

MR. ROBERTS: What would be the effect of removing any large amount of land from production on increasing the tax burden on the remaining land?

DR. TUGWELL: If, in taking land out of cultivation, you reduce the expense of the local government, then a good deal of the difficulty

of which you speak disappears.

MR. ROBERTS: If you take out half of the county, then the federal government would take care of the other half?

DR. TUGWELL: My idea would be for the federal government to exchange with such local government as counties on long term bonds, nontransferable bonds, at a very low rate of interest, but some interest. That would give the county at least something in return for its loss of taxes, and, of course, in many instances they aren't getting any taxes anyway, and they aren't getting any taxes for government lands, and most of the lands will be found to be tax delinquent.

A GRADUAL CHANGE

Mr. Tugwell, how will the emergency program such as the wheat benefit payments and cotton benefit payments, corn, hogs, and others, merge into the permanent program? Just how will the transition from the benefit payment plan come into the more permanent policy of land utilization?

DR. TUGWELL: It should grow up right alongside the other and so that the shift can be made without stopping one and starting the other. We ought to begin to use five or ten per cent processing taxes for these land purposes instead of using all of it for benefit payments.

Q. I have been wondering how the shift from benefit payments would be made, because I imagine the benefit payments are rather popular with the persons receiving them.

Q. I think the farmers would be perfectly happy to get the prices from the market-place rather than the Government.

DR. EZZELL: If the policy of withdrawing the land gives a control of production through restriction of land area instead of taking part of each farm and in the meanwhile suggests some recovery of markets here and abroad, you get an equilibrium of commodities at home and abroad which would give a gradual ability of the market to carry itself so that you would get a parity income to the farmers.

Q. Your idea then would be to purchase only land that is incapable of maintaining population?

DR. TUGWELL: Yes. That is an old policy in New York State. We have been working at it for a long time; we have been at it for about ten or twelve years.

Q. But you are taking out equal areas.

DR. TUGWELL: We looked it over for quite a while to see what this equal productivity meant, and we found that it really meant dollar for dollar, so we have adopted that plan.

Q. Is that policy actually going to be put in operation?

DR. TUGWELL: Yes, this twenty-five million dollars they gave us was the first step. We spend fifty-one million dollars, as nearly as we can figure out, on bringing land into cultivation. We have been given twenty-five million dollars and we will get the other twenty-six. The land won't be brought into cultivation for some three, four, five or six years and we are promised the other twenty-six million.

Q. Do you think it is economically and morally defensible to take processing tax money to retire lands and rent them to the public domain?

DR. TUGWELL: We would like to know what you think about it.

Q. I think not. In the first place, that processing tax is part of the price that the farmer should get if he is going to get parity price. It is his money and you are making the farmer pay for depressions in the past.

DR. TUGWELL: I think I see your point all right, but you have arrived at your conclusion through a too narrow concentration on one phase of the thing. It seems to me if you think of a processing tax being a tax on consumers which--

MR. GREGORY: (interposing) I don't think it is; under this law it can't be more than the difference between the open market price and parity. We have set up the principle, namely, that parity is what the consumer ought to pay, so it is the farmer's money.

DR. TUGWELL: At the same time if it were used for any purposes which tended to bring the farmers parity in the long run, tended to establish parity in the long run, it seems to me it is entirely justified under that principle.

Q. The Act is to bring parity as quickly as possible. You are giving it to their descendants.

RETIRING LAND

DR. TUGWELL: As a matter of fact if you used the processing tax for two years for nothing but land buying, you would assure parity in buying the land. You wouldn't have to do anything more.

Q. Dr. Tugwell, do you have much difficulty in persuading these people living on this land to tax the marginal land?

DR. TUGWELL: I suspect that objections will come from people like yourselves instead of from farmers. In New York State we found the farmers very ready to do it but tremendous opposition from people who--

Q. (Interposing): Sold things to farmers?

DR. TUGWELL: Who sold things to farmers and spoke for farmers in general.

Q. Dr. Tugwell, I was in Wisconsin several weeks ago and they said they had five applications for one from farmers in the areas that are coming under the new plan. Dean Christensen said they couldn't file their applications from settlers there who wanted to take advantage of it.

How many farmers have you moved in New York State?

DR. TUGWELL: I don't know exactly how many it is. It is across the southern tier of counties in New York and it is country that is very hilly and it lies from one thousand to thirteen or fourteen hundred feet. That southern tier of counties is really foothills of the Alleghenies. Their forests were cut off some eighty or ninety years ago when people moved in, came up the Mohawk Valley, cutting down the forests and starting their farms. Well, it went all right for a couple of generations, but the high altitude with the long winters and a great deal of floods and the erosion that goes with them has done for these hillsides what it has done for New England. One of the things that has happened there is that near Cornell University we had the history of about fifty farms taken very carefully and we discovered that those farms had changed hands about every two years. What had happened was that a real estate agent got hold of it and one fellow would pay them ten per cent, and so forth. Then we got this one million dollar a year bond issue from the state for retiring these lands and we went in there as far as we could. I say "we"; I didn't have anything to do with it then; it was Cornell, the state operating through Cornell. We got ten thousand acre lots and found opportunities for farmers and enticed them out, although we did not have any authority to do anything for them in a financial way. The areas which are marked out in that way and acquired are pretty extensive and the thing has worked pretty well.

DR. TOLLEY: It seems reasonable to most everybody that there are a good many places in the country now that people are trying to farm, that are contributing some, although not a good deal, to the surplus. These people would be better off if something happened to that land and those people could have an opportunity some place else. I am not trying to say, though, that this land acquisition will solve our agricultural problem because I don't think that any more than you do, but it does seem to me that this government acquisition of land is a part of our agricultural problem. How far it should go is another question.

A SOCIAL QUESTION

Q. As I see it, the surplus that is causing us the most trouble is not the surplus from New York and New England and some of these places we have been talking about, or even from the old South, but it is the surplus that has come from the semi-arid land which could only be brought under cultivation by farming great tracts with motorized equipment. From the social standpoint it seems to be a serious mistake in allowing those large areas of semi-arid land to be brought into cultivation.

DR. EZEKIEL: I wonder if we can't wander off the track a little bit. There are two questions confronting us. One is how can agriculture have enough income so that the people in agriculture as a whole have enough income to maintain the American standard of life. The second problem is

how can we devise taxation schemes and other controls to prevent a few large people from getting an undue share of the income and developing a large peasant or pauperized class to work for them?

They really can be considered separate things, but we might have heavier income taxation, heavier inheritance taxation, and perhaps also a limitation on the size of farms so that a farm of more than a section in Illinois or one or two thousand acres in western United States shall not have exemption from taxation. We don't want to encourage local farms of more than enough land to maintain a man and his family and to hire one hired man. That is one problem and the other is having enough income so that everybody can stay alive.

DR. TOLLEY: As most of you know, Dr. Ezekiel has been giving special attention to the International Wheat Conference and the International movement between countries that have international trade in agricultural products in general.

DR. EZEKIEL: If agriculture as a whole produces more than agriculture can sell, farmers can't make much of a living. In that process there is some limit to the amount of agricultural products which the markets, as the situation is here and in foreign countries, can absorb. There is some limit to the quantity which agriculture can safely produce, and should produce in wheat and cotton this year.

How definitely some limitation on that quantity can increase farmer income, figures recently prepared show that both in the cotton and wheat belt the cash income from the 1933 wheat crop, including the benefit payments, is more than twice as great as the cash income from the 1930-1932 crop.

First the problem is, what is the quantity to which agriculture should be restricted and what is the quantity of output now and the quantity of output ahead that is the proper amount to be produced? There are two elements involved, one the quantity which the domestic market can take and the other is the quantity which the foreign market can take.

OUR EXPORTS

The other question as to what the export markets can take is equally important. The farmers in the United States have had a greater interest in the export market probably than any other major industry. Prior to the depression the price of approximately half of all the farm products produced in this country were set on the world market, and the prices of a good many remaining domestic products were set in competition with those of the export market.

One reason that Europe raised her barriers as high as she did was that we wouldn't buy from her. At the present time Europe is able to take care of herself as to wheat, and as Secretary Wallace has pointed out in many statements, we face a very definite question ahead as to whether we will restrict our agricultural production near the domestic basis or whether we will recapture some of that foreign market.

Now, we are doing a number of things in the Department to try to widen that foreign market to the farmers. I think perhaps I should go over it in order to give you some idea of the problems involved. I will take first this importation of foreign liquors. When the repeal of prohibition came through, the Secretary took the position that the new market for liquors which was opened up in this country should be used as far as possible to regain for farmers some of their lost foreign markets. That is, liquor after all is a food product that competes with milk. I don't know how the milk consumption is affected by beer and wine consumed, but it is true that milk consumption increased greatly after prohibition came in. If there is a market there, farmers should get the benefit of it.

In the foreign field we worked out under that policy agreements with quotas so that liquors and distilled spirits would come in from foreign countries only under specific, definite quotas, and we would grant those quotas in a large quantity only as they gave corresponding advantages to American farmers. Under that we have been negotiating with a number of foreign countries for specific advantages to American farmers, and a number of relatively small details have to be completed.

Those countries who haven't formerly taken our rice have agreed to exchange it for permission to import their liquors. We have had some readjustment of the pork quota in Great Britain, and we have secured some adjustment in the export to France of fresh fruit, especially Northwest apples. As a whole, however, those negotiations have shown that the amount of money we were spending to bring in liquors was after all a pretty small drop in the bucket, and compared with agricultural products, the advantages we could gain abroad in return were likewise very small, and they didn't affect important quantities of hog products, wheat, cotton, and other export products.

That is one type of activity on which we are using it as much as we can with our tariff situation as it is.

INTERNATIONAL WHEAT AGREEMENT

The second type of activity is best represented by the International Wheat Agreement. The world wheat surplus problem was a world problem. Canadian farmers were faced with low wheat prices just the same as we were, and so were the Argentine and Australian farmers. At the same time, we had withdrawn pretty nearly entirely from the world wheat market, exporting only 40 million bushels in 1932, whereas we used to export in the neighborhood of 100 and 200 million bushels. If we had simply gone ahead with the policy of reducing wheat acreage in this country, the other countries would have said, "The United States is reducing; we don't need to worry about the tariff," and we would have found that we were in a position not a very few years hence where we would have lost the little export market we had, and we would have withdrawn from the world market. And meanwhile the world wheat prices wouldn't have been any better because we would still have a surplus situation.

The importing countries in Europe--France and Germany--have large crops on their hands so that it is partly because of that whole circumstance of conditions that we were successful in getting the other

wheat producing and consuming countries to agree that they and we would work together in trying to readjust the world wheat situation. It is, so far as I know, the only commodity in the world in which all of the major countries have said, "We have faced the facts and we will try to adopt policies which are consistent so that we won't do anything in our country which is exactly contrary to what they are doing in other countries." It is the only problem they have faced on the world basis. There are many of the countries working in that direction and will have policies in effect within this next year.

You know what is in the agreement--that the importing countries agree to take steps to stop further expansion of acreage, to increase their consumption of wheat, and later on to reduce their tariffs as world wheat prices rise, and the exporting countries agree to limit their exports to about what the world market will take and agree to readjust production in line with its reduced exports. We don't know yet how successful it will prove. The estimate of this year's takings that European countries could take was too large, and wheat prices continue to go down, but there is a movement under way by some of the other exporting countries to put a peg below world wheat prices and to say, "We won't sell on the world wheat market below such and such a price," so that you have both limited exports and limited the price below which you can't sell at export. If that goes through, that will put greater responsibility on each exporting country to carry through its agreement to control production and reduce its exports.

TRADING

Now there is a third way in which agricultural exports can be increased and that is by reciprocal adjustment in tariffs between countries. If, for example, we made an arrangement with Great Britain or France, or with Germany, that we would grant them reduced tariffs on their products, such as hosiery or fine types of laces, and things of that sort, in return for either tariff reduction or increased takings of our wheat and hog products, perhaps some of our other export products--fruit particularly--we could stimulate trade there. Real tariff reduction in this country is probably the only way we are going to re-establish any exporting of our farm products. They have to pay for them in the dollar exchange, and the only way you can get dollar exchange is by selling products to us, except lending them money to buy.

It means really that the farm population has to face the fact that (I am repeating what the Secretary has been saying right along), we are going to have to buy more things from those other countries or we are going to have to put out of production permanently a large part of our wheat and cotton, and certainly a large part of our corn land. I am perfectly aware of the fact that when you talk about tariff reduction, at once the industries directly affected squawk like anything, and they make such a fuss that you are likely to lose that immediate advantage.

The sugar situation is a good illustration. The statistics on Cuba show that in 1928 we were exporting the products of two million acres of American farm land, largely wheat and hogs and hog products, some butter

also, and that as a result of the inability of Cuba to buy from this country because of the low sugar price, its imports of farm products have been cut to the equivalent of about 500 thousand dollars. In other words, if we don't let Cuba have any more income to buy from us than she has, it adds about $1\frac{1}{2}$ million acres to the area we have to take out of production. During that period approximately 200,000 acres of land have gone into sugar beets, and even though they are going to get benefit payments under the whole sugar plan so that their income will not be reduced, still those farmers object to making any reduction whatever in their sugar production. From the point of view of American agriculture, isn't it better to sacrifice 200,000 acres of sugar beets than $1\frac{1}{2}$ million acres of corn and wheat and other farm products?

This whole thing of whether the farmers are going to back a move for real tariff reduction in this country in return for advantages from foreign countries that will be worth something is like an airplane pilot flying a ship across the country. He gets reports of storms ahead. If he bases his course entirely on the reports of the storm right ahead and nothing else, he wouldn't have any idea where he was going to land. The airplane pilot has to know where he is going. I think the real problem of the American farmers is to know where they are heading two or three years from now as well as this particular year. If farmers are going to be misled into letting industrialists maintain a tariff which is responsible for the monopolies of certain industrial products, it will mean in the end much less farming and much more rigorous control than we will have if we adopt a more decent and sensible policy.

FOREIGN FATS AND OILS

Q. Do you care to discuss fats and oils?

DR. EZEKIEL: That is another thing on which farmers have had a great deal of misinformation given to them. At the present time we import these tropical fats and we export lard and cottonseed oil. The competition between tropical fats and butter is absolutely nil. If we shut out tropical fats completely, cottonseed oil will take its place in the manufacture of oleomargarine, and as far as butter products are concerned, there would be no change at all. The only competition is possibly with lard and certainly with cottonseed oil, and if you shut out the tropical fats that will mean that on account of that higher price more cottonseed oil will be used, whereas it is not as good. Probably more lard would be used, although the ability to make soap out of lard is pretty limited because of its tendency to spoil. The net gain to this country will be very, very small. The harm to the other countries which buy our exports with money that foreign fats and oils produce would be significant. It is part of the same picture. If you want other countries to buy products from us, you have to be prepared to buy from them.

Q. What is going to happen to industries in the large cities where you control production? For instance, flour mills. In Oklahoma we are not in the wheat belt, so to speak--and say the packing houses--we are not in the hog belt. Are they are going to go to cotton?

BATHTUBS ON THE FARM

DR. EZEKIEL: Oh, no, there isn't much of Oklahoma that is definitely submarginal. That is, there may be some--the very rough territory, the Ozark fringe part, and there may be some very dry land in other sections. Of course, the long time thing is this, we have got to have more and more production in this country of manufactured products. For example, our surveys right now show in Oklahoma but one in 10 farmers has a bathroom and less than one farmer in ten has electric lights, and most of those farmers think that the idea of having a bathroom is so absurd that they don't even need one. That is an undreamed-of luxury for most Oklahoma farmers.

QUESTION: Here is the point; why not put the C. W. A. people to work installing bathtubs for farmers?

DR. EZEKIEL: Suppose you put some of them to work making bathtubs for the farmers. We have to get hooked up so that farmers have enough money to pay for that stuff and so that the people in the cities can get enough income by selling to somebody. We haven't got anything like proper rural health protection; that is, enough doctors, nurses, hospitals, or clinics, or libraries and all of those things.

There are only two things we can do. One is to set up our industrial system so that people with low incomes can get more, or if we can't work that, to let people get large incomes and take it away from them by income tax and inheritance taxes subsidized.

QUESTION: There isn't any trouble in getting bathtubs in farm houses if you only give them income to pay for them. That is true with bathtubs and electric lights and everything else.

DR. EZEKIEL: There is another way. One way is by doing it so that you give them the cash income directly, and the other way is making it possible to purchase on interest rates low enough so that they can afford it. If the government would subsidize loans at two and three per cent, even if the government had to pay five per cent for the money, and lend it and let them pay for it over a long term of years, you could put a couple thousand dollars worth of improvements in and pay for them on easy terms.

QUESTION: Wouldn't you have to have an increase in price?

DR. EZEKIEL: If prices are parity, there will be enough increase.

QUESTION:

I thought I heard you say that by cutting out foreign oils and fats, it wouldn't make very much difference in this country except we possibly would consume more cottonseed oil. There is no objection to consuming more cottonseed oil, is there?

DR. EZEKIEL:

No, there is no objection to consuming more cottonseed oil, but the objection is that at the same time we would be doing one thing more--we would export less lard and less hogs and less wheat because it is the money we send abroad to pay for these things that pays for the exports of wheat, hogs, and cotton.

Q. We have a quota on lard and we have cut down hogs and cut down cottonseed oil by cutting our cotton, but we are doing nothing about foreign imports of fats and oils, and that makes up quite a nice, little percentage of farm income, does it not, beef cattle and hogs and cotton?

DR. EZEKIEL: As a matter of fact, the importation of foreign fats and oils has declined much more as compared with 1929.

Q. Hasn't the importation of coconut oil greatly increased the last few months--nearly 90 per cent?

DR. EZEKIEL: The totals for 1933 are still something like 25 per cent below the level for 1929 and 1930.

OUR OWN PROBLEM

Q. Politically you just can't sell farmers on the idea that it is fair for them to cut down their production without putting competing imports on quotas, at least. Those competing imports should be on the quota but reduced by the same percentage that we reduce our production.

DR. EZEKIEL: Let me suggest this. What you tell the people has some effect on whether it is going to be possible to do these things or not.

Q. What are some of these things?

DR. EZEKIEL: If you emphasize the thing that is right in front of their nose so that they forget altogether the thing that is further ahead, if you always emphasize this immediate thing, the storm right ahead, they forget the long time objective and you don't help them to get to the objective.

Q. The answer to that is that farmers stood the cost of this tariff for a good many years to the benefit of industry, selling to foreign trade, by taking the tariff off steel and aluminum and others.

DR. EZEKIEL: By reciprocal tariff reduction.

Q. If you do that won't you throw some men in the United States out of work?

DR. EZEKIEL: You won't throw half as many men out of work as you will give new jobs to. I think one of the biggest fallacies ever spread is that everybody is employed in tariff industries. Half of the people work in things like railroading, in wholesale and retail and in professions that don't have anything to do with tariffs. That is, if you take the census of the population, there are fifty million people employed; there are ten million employed on the farms and out of forty million in the cities, twenty-five million of them are engaged in transportation, wholesale and retail business, railroading, banking, construction of houses and construction of roads. Now you can't import a trip from here to Chicago or a built house, or anything like that, so they aren't affected by the tariff at all. Of the remaining manufacturing

industries, about half are exported, automobiles, farm machinery, typewriters, and things like that, which have lost their markets and thrown people out of work because they didn't have this export market. Now there is a very small range of products that are affected by the imported products and most of them are things like the Aluminum Trust. That tariff system has been responsible for a lot of the excessive profits.

Q. I wonder on the philosophy of that tariff question, how you consider dairy products? If we have heavy tariffs on dairy products, what would be the economic solution of the dairy business?

DR. EZEKIEL: If and when you have prices up to decent levels dairy farmers would be better off if it weren't for that dairy tariff. As long as you have that tariff, any time you get that milk production so that it slops over the edge it comes down with a bang.

Q. In other words you are of the opinion that we could compete with New Zealand, say, in the production of butter-fat in the same market?

DR. EZEKIEL: During a period of good price levels throughout the world, we could compete.

If we have good open markets for foreign products and farmers had the advantage of cheap industrial products imported-- You know they make socks in France which sell for \$1.25 when imported. If they were imported not on a tariff, you would pay forty cents for them and they would outwear any three pairs of socks made in this country. Farmers pay for things of that sort.

Q. What I desire to bring out is the implication that if we had a reduction in steel tariff would we expect the same in agricultural products?

DR. EZEKIEL: I think the farmer has far more to gain than to lose.

Q. I am speaking of steel.

DR. EZEKIEL: Dairy farmers as a whole have their cost of living and expenses raised as a result of the tariff system far more than we have our income reduced by the tariff system. I am not saying that it is absolutely impossible to jump from a system built up on tariff to a free trade situation. It would probably take twenty-five years to make that transition even by a gradual series of steps, and I think it is a real question whether the people in this country will ever be educated to make these steps.

Q. Dr. Ezekiel, you take this matter of socks. Of course if we buy a lot of socks from France, instead of this country, that is going to reduce the demand for wool in this country.

DR. EZEKIEL: It will mean that instead of our cotton being spun here it will be spun in France and sent back to us, but we will be

growing more cotton because they will be able to buy more, and more of those workers will be working in automobile and farm machinery plants to sell things that otherwise France wouldn't be able to buy from us. You reduce some things and increase other things.

Q. How do you select the industries to reduce?

DR. EZEKIEL: That depends on whether you are going to go back to free competition or whether you are going to control.

Q. What is the immediate effect of the cheaper dollar on increasing sales abroad?

DR. EZEKIEL: The cheaper dollar is just exactly like a loan to foreign countries. For the time being it means giving our products for low prices and paying higher prices for what we take from them. We have a breathing spell in which we expand foreign imports until our prices are readjusted, but once your prices are readjusted, once you stop being willing to help them buy our products by giving them to them so cheap, we will face the same kind of situation as in 1930 to 1931.

Q. Does it show that our exports are stepping up now since the past year?

DR. EZEKIEL: Yes, it does show in the last few months that our favorable balance as an excess of exports over imports has been increasing in the last few months rather sharply, largely industrial products. It is mainly manufactured steel products that has felt this particular boom. On account of these barriers abroad farm products gained very little advantage.

Q. What per cent of our farm products did we export for this last year?

DR. EZEKIEL: I haven't that worked out but it used to be that we received forty per cent of our foreign income from farm products exported in the foreign markets. We are receiving less than twenty-five per cent of our foreign income from those same products, even though we have larger acre yield than ever. What part of that is being sold on the foreign market is hard to say. It used to be fifty per cent of the total, probably forty-five per cent of the total last year.

Q. Isn't it true that Europe has stimulated its agriculture to the point where it isn't a good prospective customer any more?

DR. EZEKIEL: It isn't a good prospective customer any more. It isn't a military policy that has led England to produce her own hog products. She was simply going broke. I agree with you there are sociological reasons, historical reasons and others, but most of those countries would be tickled to death to take more of our farm products if we would take more of their industrial products.

Q. What would you suggest as the first five or ten industrial

products upon which the tariff should be lowered?

DR. EZEKIEL: I should nominate aluminum as the first and steel as the second. The United States Steel Company got along pretty nicely during the boom. There are quite a few products like that. We have terrifically high production on a large number of spun and woven products which we don't produce well in this country. That is, if you take coarse clothing and that class of cotton and wool goods, we produce in large volume cheaper than they produce them, but when you get the highly expensive class, the thing that approaches fancy products of any sort, that takes a lot of hand labor, we don't do them well. In any case we put a terrifically high tariff on them which makes the product high, and I think there are a lot of products like jewelry, laces, and fine fabrics where if we took the tariff off, it would mean that the farm wives could afford to have at least one set of fine table linen without any serious displacement of farm workers in this country.

Q. Has any particular study been made on that question?

DR. EZEKIEL: The Tariff Commission has, and they have given a list of products in which the tax is absolutely prohibitive, where it does not result in any increased production in this country.

DR. POE: One of the most interesting things developed in this whole meeting today is this suggestion of Dr. Ezekiel's about financing the installation of water works in farm homes. It seems to me that has very great possibilities of raising the rural standard of living, increasing employment of city workers, and it is very logical. I am just wondering if it might not be tied up with the Federal Land Bank. We have had twenty years now of financing equipment for farm products.

Financing the equipment of farm homes it seems to me would be a very logical follow-up. All of us know that the investigations that have been made pretty well show the thought among farm women as to the equipment of farm homes and the things they would want. In North Carolina, it is absolutely amazing the proportion of farm women who said that if they could get two or three hundred dollars what they would do with it, and yet fully eight-tenths of them said they would put in farm water works. That was the overwhelming desire, running water, bathrooms, and that sort of thing. I am afraid that unless some provision is made for financing them on a nation-wide campaign or facility, a great proportion of those women are going to die without getting farm water works.

DR. EZEKIEL: As a follow-up of that study, we have some people working with all the Government financing agencies in Washington. We hope in the future to increase the financing facilities in that direction, both under the Federal Savings and Loan Associations of the H.O.L.C.. and under the Farm Credit as well.

Q. Some installment plan is going to be necessary, and I think it would be abundantly justified, and in the same connection the lack of paint on farm buildings, the actual loss that has occurred on account of the inability to supply paint, has been one of the most uneconomical things that has gone on in America during the last five years. If the Government has to lend money, I think it would be fully justified. The English Government lent the Irish peasants money to buy their farms at somewhere near two per cent whereas they were paying four per cent for the money on the open market.

Q. Dr. Ezekiel, do you have any figures on the industrial products that would put farms back into shape?

DR. EZEKIEL: We haven't any estimate yet. I would give that anywhere between five and ten billion dollars for construction just in homes alone. That would put all the unemployed people to work for a year, putting farms into shape.

Q. That will settle the farm problems.

(The conference then adjourned at 11 A.M.)

11 A.M., FEBRUARY 23, 1934.

MR. BRIGHAM: The Department office of information comprises the organization through which we clear everything, releases to press, radio, and publications, and for the A.A.A. Mr. Stedman and his group take care of the same phase of the work, press, radio, and publications. Also there is a division being developed for public contacts which will take care of a number of things necessary to keep the public fully informed of the work of the A.A.A. The Consumers' Counsel has also come under Mr. Stedman in view of the fact that they necessarily are very much concerned with the public contact phases of the Adjustment Administration's work. We hope to obtain from you suggestions as to the ways in which the Department can be of more definite service to the farm papers.

It might be well to sumply outline as briefly as we can the exact setup for handling information from the Department and the Agricultural Adjustment Administration in cooperation with the farm papers. When the Information Division of the Agricultural Adjustment Administration was set up some months ago, one of the things that seemed very desirable to us was to have a strong contact with the extension editors of the agricultural colleges in view of the fact that we expected the extension service to carry very largely the burden of the signup in these campaigns and in the follow-up of the adjustment program. At that time arrangements were made in conjunction with both the office of the Department and the Agricultural Adjustment Administration to provide three men who would serve as field specialists in information; that is, they would acquaint themselves fully with all the developments in the field in the adjustment program and be in position to contact the agricultural colleges. We combined with that, after some discussion, the services to the farm papers in order to eliminate unnecessary travel.

We have also with us men from the farm papers, Mr. Wing and Mr. Flood. Mr. Hasselman, who is also here, was extension editor in Michigan and came in primarily to work with the extension editors.

The service has kept very much along the lines that we hoped it would, but we feel this is an opportunity for you to discuss with us various ways to make it more effective. I might add that through the extension editors we are handling releases to the weekly papers exclusively. All releases from here are made to the dailies direct and to the Associated and United Press and other service organizations, but the service to the weekly is handled through the rewrite service.

The farm paper service has been divided along about three lines. We are trying as far as possible to give the farm papers from week to week news of what is going on in the adjustment program. We have tried also to develop special articles on special commodities that might be of use either as articles for publication or as material to be drawn on for staff writers to use. Then we have tried to encourage in every way requests coming from farm papers for specific information as to the agricultural situation. In that case we have tried to make it clear to you through Mr. Wing and Mr. Flood.

Finally, in connection with our program of making field visits, we have tried to visit the offices of the farm papers through Mr. Wing and Mr. Flood personally, so that they could give you service, and I believe that their work has done considerable to save you men from having to contact Washington.

In connection with the service to the weeklies which has supplied graphs and semi-cartoon material, we think that might be developed further. We have certain mechanical facilities for preparing that material, but you must realize that you have to get the approval of the people concerned from the subject matter standpoint. Whenever we get out a graph or cartoon the mortality among them is as much as from the other material.

I will ask Mr. Stedman to make a statement on behalf of the Agricultural Adjustment Administration, and also we will hear from the Office of Information, and after that we will throw the whole matter open to discussion by you.
Mr. Stedman.

MR. STEDMAN: Mr. Brigham has described to you the mechanics of the way we operate. I might say that since May, or better, to go back to March 4, the press gallery of Washington has probably never been under such a strain as during these months. I came into this place from the press gallery, and in the months since March 4 I imagine Washington has seen more kinds of activity of a more complicated nature with such a rush of events as never has been seen before. We began here, partly because of my own slant, to deal with the metropolitan press in the best way that we could, with more or less haphazard organizations, with events rushing at a rate that it is absolutely impossible for me or anyone else to state. We operated on a plan of a wide open organization. We wanted to give the press every opportunity we possibly could to get the facts of what we were trying to do and why. We wanted to give this news as fully and completely as possible. But we dealt primarily with the metropolitan press.

We found as we went along that due to the strain on the press gallery, with so many things happening that it was physically impossible for correspondents to keep pace with them when we ourselves couldn't, and we have found that the metropolitan press has its limitations necessarily. The actions of the A.A.A. are dealt with very rapidly since it is not possible for a correspondent to deal with them and write a connected story every day on what we are trying to do. Consequently, while the weekly press may take its cue from what the metropolitan newspapers say, still there is an enormous field back of that, and we have gradually come to see how necessary it is to have a different kind of treatment than the metropolitan press can give.

I have here a pamphlet that was written by the Secretary of Agriculture, called "America Must Choose." I think it will be printed in a day or so and you can all get one before you leave. It will stimulate thought on the part of the editors. It gives you a pretty good idea of what may be in store for us as editors in the future and how closely our activities are going to be linked up with the course that America takes. As the Secretary outlines, one course isolates us nationally, and although Mr. Mark Sullivan in his article in the Herald Tribune yesterday quoted the Secretary as saying that the Agricultural

Adjustment Administration program if carried out consistently would mean that it would absolutely control the agencies of public opinion, the Secretary really said nothing of the sort. What he did say was that a part of the course of an isolated nationalism would be control of these agencies of opinion. The Secretary does not favor that course. He said that he favored the second course which was internationalism, but he then named a third course which he said was the middle of the road course and said that was the course which ultimately the country will take. In any event there will be a great deal of public education to be done, and the course that we take as editors will depend to a large extent I suppose on the course that the nation takes.

The Secretary said that he favored the Democratic method. You know that here in the Agricultural Adjustment Administration we have not pursued high pressure publicity. We have confined ourselves pretty well to the facts. We have relied upon the Democratic method or policy of education and persuasion. If however we should be in spite of ourselves pressed into this nationalistic course, I suppose we people would be going in for some publicity as they had during the war with the Liberty Loan Drive spirit back of it. We all hope we are not in store for anything of that sort; but to the extent that we rely upon persuasion and further education in our climbing, to that extent more reliance will be placed, I suppose, upon education and publicity which lays out the facts before the public and lets the public take its choice as to whether they want to come along with us or go against the current.

MR. FLEMING: One thing we are trying to do that we haven't had to do in the past is to bring forth the facts which the regular Bureau have for assistance in the A.A.A. program. We have made somewhat of a beginning in the publication committee. As time goes on we hope to make that a real factor.

I hope that in the discussion you gentlemen will put us on the pan as much as you feel necessary. Like General Johnson, we will put our head in the lion's mouth of public opinion for the time being. I haven't any specific suggestions to make. We will all be delighted to hear our sins of omission and commission.

MR. BRIGHAM: There are several representatives of the Department and the Agricultural Adjustment Administration present. I will call upon them. Mr. Bundy, who is Assistant Director of Information and Records in the Adjustment Administration. Mr. Henshaw, who is associated with him. Paul Porter, in charge of the Press Section of the Adjustment Administration. Then we have in addition to Mr. Fleming, Mr. Gapen in charge of the Press Service and Mr. Salisbury in charge of the Radio Service. Mr. Marquis of the Bureau of Agricultural Economics is here. I also refer to Mr. Hasselman associated with Mr. Flood and Mr. Wing.

I will be very glad to have your suggestions on what we could do which would come more nearly to keeping you fully informed as to the Adjustment Administration's program.

DR. POE: I would just like to say that the press gallery in Washington is not the only set of journalists who have had a hectic time these last twelve months. So much material pours into us that personally I would find it helpful if the Department would work oftener at a thing that it occasionally does. Occasionally we get three or four pages on a subject and there will be a page and a quarter or a page and a half which gives the gist of the whole thing, and then a line saying that other details in which the public might be interested will follow. Now very frequently we don't have time to read a whole page, but if we find that a page and a half gives the gist we would concentrate on that. I believe that policy would help us a good deal.

MR. BRIGHAM: In the cases in which we have been holding down to a page or a page and a half we could send it on to editors as a piece of information from which they could develop stories themselves.

Q. As reflecting the technical view point, of course I have no complaint to make against the matter sent out. Sometimes we would like to have an additional background of material.

MR. BRIGHAM: You mean more than just the stuff it is based on?

Q. Yes, related material, based upon research carried on in past years by the Bureaus.

MR. BRIGHAM: I would like to know, do you feel it is an advantage to have Mr. Flood and Mr. Wing visit you periodically?

(General assent.)

MR. BRIGHAM: I wonder if there would be any comment from you men as to whether or not you are getting much if anything from the local extension editors? How much should go directly from here?

MR. BRIGGS: In Texas we have had the most admirable setup on this sort of work from the extension editors, two or three releases a week in detail summarizing and giving the progress of the campaign. So from that angle we have had excellent service locally.

MR. ROBERTS: In most instances, however, there would be a lot of time consumed in transmitting material first to the extension editors, and in the past months spot news was of very intense value to many of us.

MR. BRIGHAM: Of course the situation in the last few months has given me a clearer idea than it had before. If you need a certain localized material, you could get it from them, but if there was other material you could get it direct from here.

Q. I would prefer that all material be direct.

MR. EASTMAN: I don't recall that we get any information from our extension department in New York.

MR. BRIGHAM: New York hasn't come into the program very largely because dairying hasn't been in the general program. It has been confined largely to the South or the wheat growing states. That may be one reason, although we have sent to them quite a little material that has to do with the principles underlying the general program.

MR. EASTMAN: I want to say also from New York that I have had very excellent service from Mr. Wing.

Q. I think you will find most of us get something from the Extension Service.

Q. There is one situation that is a real difficulty through no fault of yours. That is when you happen to announce some important statement practically at the closing date or just before, before we get that we may read it in the daily press.

MR. BRIGHAM: We send it immediately to the State Directors and the Extension Editors, and we have tried to do that with the farm papers if we thought it would reach you in time for your release. With so many things breaking, it has been pretty hard to do that uniformly. Would you yourself have any suggestion to make on that?

Q. The only thing I can say would be to send a telegraphic report through to the farm papers so that they would be sure to be on the look-out.

MR. BRIGHAM: We have tried to take care of all the problems that come up, and we are trying to cover everything, but once in a while we do get swamped. We have so many requests coming in on so many diversified subjects sometimes that we can't be quite as prompt as when they don't come quite so thick.

Q. I know all my requests have been filled very promptly.

Q. I think probably every paper represented here has tried to cover the situation thoroughly. Now if we haven't done it, if you will call our attention to our errors, we will appreciate it.

MR. POE: There is a thought in connection with copies of addresses which are rather numerous and sometimes long. Perhaps we don't feel that we have time to read them, at least at the moment. Do you make a practice of summarizing high spots of those, or could you do that and send them along with the copy of the speech?

MR. BRIGHAM: Sometimes those are quite often covered in a press release, and at other times they are not, particularly in radio addresses. If that would be a help, I think we could try to do more of that.

MR. POE: That would be one of the greatest helps we could receive.

MR. STEDMAN: That is something we could do. We have done it on some occasions when there was a speech that we knew was full of news, but we can do it much more frequently.

MR. POE: Sometimes an editor can't find time to read a long speech whereas he would have time to read a one or two page summary.

MR. BRIGHAM: Occasionally we get a statement that you just can't summarize. That statement that the Secretary made at Madison on the dairy situation, you have to go through the whole thing.

MR. STEDMAN: The facts were with respect to that speech that the speech wasn't mimeographed until the hour before the Secretary got on the airplane for Madison and there wasn't time to summarize it.

Q. You will continue to send out the speeches whether they are summarized or not?

MR. STEDMAN: Oh, yes.

MR. POE: I feel that you would have gotten much broader publicity in the farm press if that speech had been summarized in two or three pages.

Q. Is the publicity from the Farm Credit Administration handled through a different set-up, or does it all come through this?

MR. BRIGHAM: It is handled through Mr. E. B. Reed who is Director of Information of the Farm Credit Administration. You may have a chance to talk to him this afternoon on that. We have kept in close touch with him. If a request comes we get in touch with him and try to get his prompt action on it, but it is rather beyond our capacity and our jurisdiction to do that, but we do work very closely in cooperation with him.

Q. Is there any way we can get more publicity from that source than we are getting?

MR. BRIGHAM: I think we almost need a more specialized set-up. That is what we have been trying to do on the weeklies for the farm paper field. I don't know that they are organized quite that way over there.

(Conference adjourned at 12 M)

2:30 P. M., FEBRUARY 23, 1934

FARM CREDIT ADMINISTRATION

MR. BRIGHAM: I want to introduce to you the Governor of the Farm Credit Administration, Mr. Myers, who will also present the various members of his group on the different lines of credit.

GOVERNOR MYERS: Among the major things in the history of the Farm Credit Administration first is the Executive Order, the first one that the President signed, creating the Farm Credit Administration and transferring to its supervision all of the various and sundry federal credit agencies that had previously existed. The intention was to bring into one organization all of the agencies that were concerned with farm credit.

The second major event was the passage of the Emergency Mortgage Act, that gave to the Farm Credit Administration the problem of attempting to refinance the burden of distressed farm debt.

Up to the present time, since May 12, we have received not far from 600,000 applications for mortgage loans aggregating approximately 2 1/2 billion dollars. That is more than twice the outstanding mortgage loans of the Federal Land Banks after 17 years of operation.

The first job was to expand the appraisal force from total number of appraisers in all the banks of 210. In spite of the fact that the best efforts and hard work were put into the job, it wasn't until October that the appraisal force was expanded to a point where we were appraising applications as rapidly as they were being received. We continued to expand the force to 5,000, and by December 15 we were practically current.

We are still getting applications at the rate of 12 to 15,000 a week in all of the banks, and we are closing loans now at substantially the same rate. We believe that we have an organization established that can handle the situation without undue delay.

We doubled the amount of mortgage loans closed every month from July until December, starting with less than 4 million in July, we closed about 98 million in December, 127 million in January, and 102 million up to last night. So that the aggregate of loans closed, money paid out, since the Act was passed is slightly over 430 million dollars. That has gone into all of the country communities, and you know better than we do of the effect it has had in reopening banks, in removing banks from restrictions, in removing from farmers the danger of impending foreclosures, and in effecting scale-downs in some distressed cases, and also in the reduction of the interest burden. The figures we have obtained show that the average interest saving of the farmers that have been refinanced is about 25 percent.

The recent amendment creating the Federal Farm Mortgage Corporation provides for the issuance of bonds, both the interest and principal of which are to be guaranteed by the United States. We have felt that this emergency should be met, but that it was not wise to weaken the land bank system in its ability to continue to serve the farmers of the United States, so that under

the law we have set up in the Washington administration a Federal Farm Mortgage Corporation which is authorized to issue two billion dollars worth of bonds, both interest and principal guaranteed by the United States. Those bonds will be exchanged for Federal Land Bank bonds, or the corporations may buy Federal Land Bank bonds and these guaranteed bonds will be put in the hands of the Land Banks for the closing of loans.

We are still on a cash basis, but within a few weeks we will shift to a bond exchange basis. We are not saying anything about this publicly because we don't want to say anything until we know precisely what we are going to do. We have obtained the cash to pay out on these loans up to this time by borrowing from Government agencies, but the demands upon the Government are such that they can't continue very much longer, and we will shift to a bond exchange basis within a few weeks.

The Act further increased the so-called Commissioner Fund Loans, and provided that an additional 600 million dollars of this 2 billion dollar issue can be used for commissioner loans, so that although the original 200 million provided by Congress last May will be exhausted within two or three weeks, we will have additional funds for the making of commissioner loans. Those commissioner loans will be made by the corporation with the Land Bank as agent, so that there will be no liability accruing to the Land Bank for the making of these business risk loans which must be made in order to refinance the debt burden resulting from the depression.

Regional Organization

The third major thing that we have faced was the organization of the regional units to carry out the reorganization made possible by the passage of the Farm Credit Act. In each of the 12 Land Bank Districts we have created a branch or a unit, since they are independent, to serve all of the credit needs of the farmers of that region. Those organizations have been established and officers have been selected, and they are ready for operation, and in each of those units, which will be the headquarters for all farm credit in the district, there will be, of course, the Land Bank, there will be an Intermediate Credit Bank, a Production Credit Corporation, and a Bank for Cooperatives.

The Bank for Cooperatives is a decentralization of the loaning formerly carried on by the Federal Farm Board. The remainder of the regional fund has been used to finance 12 regional banks for cooperatives and one central bank for cooperatives. The initial capital of each of those 12 regional banks is 5 million dollars, and that capital is available to make loans to farmers cooperative organizations for either purchasing or marketing on a business basis at a reasonable rate of interest. The interest rate ranges from 4 to 4 1/2 percent, depending upon the period for which the loan is made. We believe that the decentralization of these banks, with one in every district, will enable them to serve the needs of farmer cooperatives in a much more effective and economic way than was possible when there was only one lending agency for the United States and that in Washington.

The Production Credit Corporation, of which one was established in every district, was provided with initial capital of 7 1/2 million dollars, and the purpose of this was to finance and supervise local credit associations

through which farmers can obtain production credit from the Intermediate Credit Bank. The Regional Agricultural Credit Corporation will cease making new loans as rapidly as the new Production Credit Corporation is ready to operate, and then the process of handling the regions will be one of orderly liquidation so as not to cause undue embarrassment to any good farmer.

The crop production loans are being continued for one more year. It is expected that after this the Farm Credit Administration will be charged with the duty of making business loans both long and short term to farmers and to farmer organizations, that wherever relief is necessary because of a national disaster, that that relief will be granted by some agency set up to provide relief, and we will not have the combination of relief and credit that has been provided through the crop production loan system.

The thing that seems to me to be of the most importance in the system of credit we are trying to establish is that running through the system is the cooperative principle that every borrower from the Land Bank, and in the production credit system from the Bank for Cooperatives, takes five percent of his loan in stock. If we wish to have a credit system that is operated by and for farmers, we can't have the opportunity without responsibility, and for their stock ownership, farmers obtain the advantage of representation and of participation in any savings that may be made.

Another thing, of course, that we think it is important to stress is that for the major part the Farm Credit Administration is not lending government money. We have government money to provide capital to help farmers help themselves. It is true that in the emergency the government is helping the Land Banks borrow, but the government is doing it through this mortgage corporation which will be a creditor of the Land Bank, and therefore the government will insist that the Land Banks manage their affairs in a business fashion. It is expected that the Land Banks will return to the money market for the sale of bonds to obtain funds to lend farmers as conditions improve. The production credit system is based entirely upon the ability of the Intermediate Credit Banks to sell their debentures to investors. They have developed a splendid reputation for these securities, and we believe they will be able to borrow the money that is required for further farmer loans at a reasonable cost.

Again I want to point out that we are not attempting to monopolize the field of farm credit. These institutions are intended to supplement and not to supplant existing institutions. At the present time we are making about three-fourths of the total aggregate of mortgage loans being made from all sources in the United States. We hope and believe that that proportion will decline as other agencies re-enter the field. Life insurance companies, at least in some cases, are planning to do it.

We believe that permanent government subsidy is unnecessary and unwise, but we do believe that farm agriculture deserves and should have as low a rate of interest as can be obtained by the sale of sound securities to investors with a most efficient system possible, from the farmer right through to the ultimate investor.

DR. POE: I would like to have just three or four minutes. A committee was named to draft a statement for submission to this group with the understanding that it be jointly addressed to the Secretary of Agriculture and the Chief of the Agricultural Adjustment Administration. That committee consisted of Mr. Dan Wallace and Mr. Cliff Gregory; Mr. Roberts and myself from the South; Mr. Eastman and Mr. Watson from the East. They have been in session for some time, all except Mr. Gregory who has had another engagement. We would like, if the conference wishes it at this time, that a draft of the statement be made so that if approved it can be typewritten and presented to the President. The thought was to confine ourselves to just a few broad general principles without becoming involved in the matter of details for Congress.

(Read resolution.)

This is submitted for whatever the conference wishes to do with it. Now shall we make a motion at this point?

MR. LINDLEY: Gentlemen, you have heard the report of the committee. It has been moved and seconded that the report be adopted. Is there any discussion? (MOTION APPROVED AND CARRIED)

MR. GOSS: It is not necessary for me to review to you gentlemen the history of the organization, the history of the effort to get legislation, and the final organization of the Federal Land Bank. I would point out that it is designed to be purely a cooperative organization, and had it not been for the disastrous deflation which required the assistance of the Federal Land Bank in meeting the national emergency, it would be today purely a cooperative organization, but there was a very definite emergency. Thousands upon thousands of farms were being foreclosed; for many months the bulk of the farmers had not been able to pay their taxes or meet their interest rates, and something had to be done to prevent those foreclosures which would have meant revolution in the rural districts and dispossessing thousands upon thousands of farmers, a situation which was absolutely unthinkable, and so Congress selected the Land Bank system as the means of meeting this emergency. I might call attention to the fact that the Land Bank system was established--the law was passed in 1916 and established in 1917, right during the height of the land inflation, and from the time that it got well under way down until the present date there has been a deflation in land values, a most difficult time to start an organization and a most difficult time to operate an organization of this kind. But it had been so soundly founded and so well run that it managed to weather this storm up to within the last year or two and had developed an enviable record in the way of financing, because its bonds found a ready market at prices which were right next to the Government bonds themselves. And soon they turned to this organization and gave to it a place in the Government such as it never had before; that is, instead of being purely a farmers' organization designed to be run on a cooperative basis to furnish credit to those who desired to come in, it was given the responsibility of refunding the distress debt of America. That was done in the Emergency Farm Mortgage Act passed on May 12 of last year. No system could have stood up, no matter how well founded, against the deflation of the last two or three years. We all understood that this Act provided means for carrying the honest worthy borrower who was doing his honest best to make good; it provided means for carrying him along.

There were four or five principal provisions in that Act and our chief activities have been brought along those provisions during the nine months that have followed. In the first place, funds were provided to grant extensions to farmers for carrying delinquent indebtedness. Second, the interest rate was reduced to $4\frac{1}{2}\%$ for a period of five years. I might say that the whole Act was based upon this thought: something had to be done until prices could be brought to normal. Congress recognized that we could not proceed along the lines we were going with prices down below production, and as one of the steps to help bring prices back to normal this reduction of interest rate to $4\frac{1}{2}\%$ was made to help the farmers until prices should return to normal. And the Federal Government appropriated money to the Federal Land Banks so that they would not be operating at a loss.

However, the most significant thing in this Act was the two hundred million dollar appropriation to make commissioners' loans. The Governor said that there was no Government money. He should have said that in our cooperative setup there is no Government money, but there were two emergency funds, one for the seed loan fund and the other the commissioners' fund; those are both Government funds. Under the Farm Loan Act we are permitted to lend fifty percent of the value of the land plus twenty percent of the value of the insured permanent improvements. The commissioners' fund provided that we might lend up to seventy-five percent of the value of the land and the improvements, that is, the farm property, and that we might lend it as a second mortgage, not as a first mortgage. In other words, it was purely a supplemental loan to help those farmers who found themselves hard pressed through an over-extension of credit, and it was also provided that appraisals should be on the basis of mortgage values, again pointing out that Congress was striving to bring this system of the whole price structure back to normal.

We will just take one case here and figure it out. Here is a net income of a thousand dollars. That means that it will pay six percent interest on an investment of \$16,666, say \$16,000. That would mean we could make a land bank loan of \$8,000 and a commissioners' loan of \$4,000, or \$12,000, seventy-five percent of the \$16,000. Let's see what would happen. Upon that land^{bank} loan the farmer will have to pay five percent interest and one percent on the principal, or six percent; that would be \$480. On the commissioners' loan he would pay five percent interest, or \$200, and one-tenth of the principal each year, or \$400; \$600 on the commissioners' loan and \$480 on the land bank loan, or \$1080. Now if we permitted debts to exist in addition to that \$16,000, you can see we would have left that farmer in the position where he would be headed straight for bankruptcy, because the income of his farm would not support that indebtedness. We are endeavoring to go as high in our loans as the income from the farm will support and there we stop, because it is an injustice to the farmer to load him up. It is an injustice to the Federal Government. It is not a step toward recovery to load him up with debts so that he is still in a bankrupt condition and can not resume his place in the community as a normal purchaser of farm supplies.

That is the plan which we are trying to put in effect, establish that man where he belongs as a normal purchaser of farm supplies, and that is why we are insisting upon this principal of debt restriction. Briefly, then, we have had two problems; the first, how to meet this emergency of refunding the farm debt of America. In that connection I want to say this: We found the foreclosures were going right on and we had to establish a division here to

take care of farm foreclosures, and since October 3, when we set up that division, we have had reported to us approximately thirty thousand cases of foreclosures. Almost without exception they have cooperated with us in staying foreclosures until we could see if there was some way in which we could work that out, and in a large majority of cases it is being worked out and the farmers being put back on their feet on a sound basis. The second task we had given to us was to establish a cooperative system of farm credit which fits the needs of farm conditions. That agriculture has never had in the history of America, and it is essential that we establish this on the cooperative basis and keep the control in the hands of the farmers if it is to be made to fit and keep maintained as truly fitting the need of farm conditions, and that is the job which we have ahead of us. How well we succeed will depend, as the Governor said, upon how well the farmers run their own business, and will depend largely upon the support which we get from the Farm Press of America.

MR. MYERS: The Intermediate Credit Commissioner, Mr. George Brennan, is under the weather with a cold, and his deputy, Mr. Uelsmann, will talk on the work of the Intermediate Credit Bank.

Intermediate Credit Banks

MR. UELSMANN: The Intermediate Credit Bank section takes up the farmer where Mr. Goss's division leaves him, with the supplying of short term credit for his operations. The Intermediate Credit Banks have been in existence since 1923. The word "intermediate" in the title refers to that scope of credit lying midway between the short term, typical commercial bank loan and the long term farm mortgage, such as the Land Bank division takes care of.

These twelve banks, one in each of the Land Bank Districts, are capitalized by the United States Government at a capital of five million dollars each, and only within the last week or two another Act of Congress has made available a revolving fund of 40 million dollars in addition, from which the governor of the Farm Credit Administration, with the approval of the Secretary of the Treasury, may from time to time subscribe additional capital on paid up surpluses for these banks in proportion to the volume of credit needed in their community. These banks do not deal with the borrowers direct. It is necessary that there shall be some intermediary between the individual borrower and the Intermediate Credit Banks. These intermediaries consist of national and state banks, trust companies, savings institutions, and privately capitalized livestock credit corporations and agricultural credit corporations. A new and very important element in this field of intermediaries are the new production credit associations which are just now being formed, throughout the whole United States, and which Mr. Arnold will discuss very shortly.

The Intermediate Credit Banks have expanded their operations very materially in the past year because of the large volume of credit that they have made available through the Regional Agricultural Credit Corporation which have served livestock men and farmers throughout the whole country. The regionals are temporary organizations and will shortly be liquidated, leaving the field for the Production Credit Associations.

The source of funds loaned to the farmers, outside of the capital of these banks, is through the sale of debentures in the money markets of the

nation, the large money centers. Those debentures are sold usually from three to six to twelve months' time and bring very favorable rates of interest, comparing favorably with the rates available to the United States Government itself. These debentures, however, are not guaranteed by the United States Government, but are described technically as instrumentalities of the Government because of their having been used by institutions under government control or management.

The picture then is that the credit banks are a reservoir of short term, mobile credit, and these financial institutions, that is, credit associations, are the chutes that pass out this credit to all parts of the nation. The record of the Intermediate Credit Banks and the financing bodies that run through them has been very gratifying. It has shown really a fine liquidity in the production credit that is being used throughout these credit banks. I can speak of one set of figures in one district in one of the Regional Agricultural Credit Corporations where through this corporation 4 1/2 million dollars were loaned last year for 1933 crop production. Those special loans are all paid back except 82 thousand dollars now, and half of that is represented by cotton and rice in warehouses, and the rest of the stuff is secured, and the estimated losses on the whole line of business would be less than \$7,000 or less than 1/5 of 1 percent. That is a record that any commercial bank would be very glad to claim.

The Intermediate Credit Banks are sometimes referred to as the "glass eye department" of this Farm Credit Administration, and there is some reason why it should remain so. The only way that funds are available is through the confidence of the investing public in the type of credit that is being extended through these organizations. The Credit Banks then have a very narrow line to follow between the risks of the individual borrowers in the country and the excessive caution on the part of large investors in these debentures. The failure to observe the proper credit requirements would dry up this source of capital and make it unworkable as far as extending credit on reasonable terms to farmers might be concerned. So for that reason these credit standards are being maintained on a strict business basis, and they must be so maintained if the integrity of the system and its opportunity to be of service to agriculture are to be maintained.

Production Credit

MR. ARNOLD: The Production Credit is one of the new divisions of the Farm Credit Administration.

It was quite a problem to start out organizing these local Production Credit Associations throughout the entire country.

There will be about 670 of those local associations in the United States when the entire United States is covered. Six hundred twenty of those were chartered up to last night.

The average capitalization is about 100,000 dollars. Of those chartered at the present time, they vary all the way from two or three thousand to three and four hundred thousand. Most of the districts where

the early loaning takes place are already characted and functioning. There are 3,000 counties in the United States, and each association covers from four to five counties.

As you know, each farmer takes stock in these loan associations. Five percent of the amount of his loan is taken in stock the first time he borrows, this stock to be used over the next year, or he can sell it to another investor.

In those associations where there are four, six, or eight counties in one association, in most every case there is some one within the county to accept applications. All of these notes of the farmers where they borrow through the local association naturally are discounted with the Intermediate Credit Bank, but it is not necessary in all cases for the application to go to the headquarters of the local association or to have any contact with the Intermediate Credit Bank of that district. It can be done by sending in the application to the representative in the county and it will be taken care of by him.

We always speak of the corporations as the 12 district organizations and the associations as the farmer organizations. These corporations will not make loans to farmers. All loans are made by the associations and none by the corporations in the district. None of the money that the corporations put into the associations is loaned to farmers. That is invested in bonds deposited with the Intermediate Credit Bank as a security so that they have the discount privilege and can discount the farmers' notes with the Intermediate Credit Bank.

Crop Loans

I was asked to mention something about the Emergency Crop Loan that is going to be under way. That is government money and should not in any way be confused with our Production Credit Associations.

So in all probability there will be some of these crop loans, the upper limit \$250, and one provision of that loan is that the individual must not be able to secure credit anywhere else. Some of those may come through the local association, but in all probability, the two organizations will be kept entirely distinct. There is danger of farmers confusing the one with the other if they are closely tied together. We don't want the farmer to have the opinion that the Production Credit Associations are the same thing as the Production Seed Loan has been in the past.

Cooperatives.

Mr. Peck, the Cooperative Bank Commissioner, has about five minutes in which to talk about banks for cooperatives.

MR. PECK: That division of the Farm Credit Administration charged with the responsibility of financing and servicing the business institutions of farmers is called the Cooperative Division. It in its essential parts is not perhaps a new division, because it is built upon using the capital

and revolving fund of the Federal Farm Board, and many of the members of the staff of the Farm Board have been retained in the development of the personnel of this division.

As I see it we have three main functions: 1. Naturally the organization of the new credit agencies provided for in the Farm Credit Administration the establishment of a central bank and twelve regional banks for cooperatives with the development of policies of loan procedure and supervision of these new credit agencies. The capital of course comes from the remainder left in the revolving fund of the Federal Farm Board. 2. The other function is that of working with the cooperatives that have outstanding loans left from the Federal Farm Board activities. We are attempting to liquidate some of the old loans; we are charging them interest as it can be charged, without any attempt in any way to embarrass a cooperative or to add to its burdens, because most of them have been through a very serious experience in this depression.

The other function in which I am particularly interested is what we call the service function. Not only is it essential, it seems to us, to develop a system of credit for business institutions, both purchasing and marketing, but that certain types of services are necessary to go along with the extension of credit, to go along with the attempt to assist cooperatives to build a better system, better procedure, better merchandizing; in other words, sounder accounting procedure, an attempt to work with the managers and boards of directors so that they can understand exactly what their business means. It is astounding--but it is interesting at least to find that most members of the boards of directors of farmers' cooperatives have no idea whatever about what a balance sheet means. They haven't any conception of the cost of doing business.

The central bank and what we call the Farm Credit Administration or Cooperative Division will work with the national and large regional organizations from the same point of view. We do not believe that it is our function to run an extension service. We do not believe we ought to be the educational element or principal educational factor in reaching the members in cooperatives. If we can have better business practices, if we can get a better understanding on the part of managers of sound business procedure, if we can establish them with sound business rates of interest, if we can get out of their mind that they are price fixers or raisers but just good suppliers of farmers products, we feel that we will have rendered the cooperative movement a real service, and so we are interested not only from the credit function but from the standpoint of those services.

I also feel that a research project should not be tied up closely with a lending project, and so there is being established in the Farm Credit Administration another entire unit, a Research Division, in which cooperative marketing, cooperative purchasing, cooperative effort and experience will be studied by men who are wholly independent of the lending function. Services will be rendered by the Cooperative Division, but the research work will be done independently and so we expect to make progress along the line of attempting to study the reasons for success and the reasons for failure in the cooperative movement.

MR. MYERS: Do you have any questions? It is perhaps a bit early to adjourn; we might possibly have five minutes more.

Q. Have the bank cooperatives taken over all of the old Farm Board loans, good or bad?

MR. MYERS: No, we have what we call the Farm Credit Administration, which is the remainder of the revolving fund that has not been placed in the capital of the central bank or the regional bank. Only those loans which we believe are absolutely sound are in the central bank.

MR. BRIGHAM: Dr. Myers, in a conference we had this morning, we had some discussion of providing farm papers with activities of the Department. I thought possibly you might say something on that.

MR. REED: I think you are all getting our releases. We put them out periodically. We don't try to have any stated period for putting them out, of course. Whenever there is anything we consider news here to develop, we would like to send them. I think farm papers are on the list to receive everything, even regional stuff. We give you that because we do want you to be informed what we are doing over all the country and not just along your particular part. We have made available to a number of the farm papers these pamphlets of one kind or another, and they use them to answer correspondence to save them a lot of letterwriting, and so forth. We will be glad to make them available to any editor who wants to use them in that way. If there are any special articles we can get together for you or make the material available at any time, we will be glad to do so.

(Conference adjourned at 4:00 P.M.)

9:00 A.M. February 24, 1934
Room 218 -- Administration Bldg.

WHEAT

MR. BRIGHAM: We have arranged this morning to divide the first two hours between the discussion of the wheat program and the corn-hog program. Mr. Farrell, Chief of the Wheat Section, will make a brief statement, and he will be glad to answer questions in regard to the program which may be of interest. At 10 o'clock Dr. Black will be here with some of his staff and will continue with the corn-hog program.

I won't make an elaborate introduction of Mr. Farrell. As you know he was associated first with M. L. Wilson on the wheat program and now he is chief of the Section. He was also associated with the Extension Division, and was for twelve years Regional Director of the Central States, and he is thoroughly familiar with the problems of that territory.

MR. FARRELL: Up to this morning we have signed up fifty-two million acres in 1752 counties and organized 1470 county associations. That fifty-two million acres is the sum of the signup in the winter wheat, both soft and hard, spring wheat, and the Pacific Coast wheat area. We have paid now, fifty-eight million dollars up to this morning. We will probably pay out on the 1933 payment ten million dollars more on contracts which were hung up for various reasons. About 570,000 contract signers have been cared for during that period. The first contracts came in here about the 25th of October and we have cleaned up the 1700 contracts.

THE WHEAT PLANS

You recall that we had three plans that we presented to the farmers. One was the standard plan which was each man standing on his own production. The other was the four-year plan for rotation, and the other was the plan D which was a modification of the county average of the individual.

Most of the counties took the individual average plan, except a few counties out in the treacherous wheat country. In the plan D counties about ninety-five or ninety-seven per cent of the farmers took the average that was left.

We have turned out practically all of the counties. Camas County, Idaho is not wholly willing to take its assignment up to this morning. In other words, they have run over. They think we are a little hard and we think they are a little demanding. Cotton County, Oklahoma has failed to send in its papers. Outside of that everything is cleaned up with the exception of six counties in North Dakota and one in Indiana. Toole County, Montana is still in the mail. Contracts haven't been able to come up to us yet. The six counties in North Dakota that we have no contracts from I think are just slow in getting in. It is frozen up up there.

In the organization of the wheat work, when the association was organized, under way, and the county approved, we would advance them on the payments to come from the Federal Government sufficient to operate their associations. You have probably heard a great deal about the failure

of the Federal Government to pay the bills of the associations. That is correct. We couldn't pay an association when one didn't exist, and we had to wait until the contracts arrived. The contracts were approved and then we paid the association. Up to this morning we have paid out \$376,000 to county associations for expenses. That is an expense that will be deducted from their second payment of .08. This represents about 1140 counties up to this morning.

THE WHEAT SITUATION

Now let's take a look at the wheat situation. We have, as I said, signed up about fifty-two million acres out of a total of sixty-five million acres, leaving about thirteen million acres that have not yet been signed up. That fifty-two million acres represents seventy-eight per cent of the total acreage of the United States. Remember we said that the base that would be used would be the acreage and production of 1930, 1931 and 1932. When we went over into the soft red winter wheat area which includes Missouri, Iowa, Illinois, Ohio and Michigan we found that that area was an in and out area; that is, they would seed once and probably not seed again for two or three years. So we have taken their acreage and divided it by three.

Then we had another situation that we had to consider in that area. You must remember that dairying was a pretty profitable industry until about a year ago, and the farmers in the eastern United States went out of wheat and grew feed. The dairy business blew up. The one bright spot was the price of wheat, and the price of wheat did influence these people to plant. But they had no basis to come in on. We are getting now about a hundred letters a day asking to open up these contracts again. We will have an announcement shortly to make on that. There are probably seven or eight million acres to sign up.

WHAT HAPPENED

We took out of production, according to this plan, about seven and a half million acres, which are definitely tied up. There is another half million acres which came out. It does not show up now but there are one and a half million acres, maybe more, in the plains area where the counties were cut down, where they had to pare off a little more than fifteen per cent to get under the wire. You folks in Northern Texas know about that. Take Hansford County: it cut forty per cent acreage to get under the wire. When Kansas came in with their acreage in production, they had an overrun of acreage in production of fourteen per cent. That was pared down, and we may have been a little wrong but we think we were a little nearer right than the farmers in that particular section, and we pared them down. We pared down North Dakota; North Dakota had an overrun of about two hundred and fifty thousand acres. They came down. Montana had an overrun that ran into three hundred thousand acres. We have a committee of men down this morning asking us to give them a restriction of acreage.

We came within two and a half per cent of Crop Estimates. That is, we have overrun about two and a half above Crop Estimates. Crop Estimates revised somewhat and are probably a little ahead of us

now, but taken as a whole, the men who went into this organization of seventeen hundred of the counties did a good job. They were honest, efficient, and capable men, and I am not afraid to trust the wheat program to them. They want control. They want a reduction in acreage and they are willing to go ahead to get it.

WINTER KILLING

Q. How about crops for wheat that is winter-killed?

MR. FARRELL: When wheat is winter-killed the Wheat Section releases the acreage as soon as a contract signer advises us and has the thing inspected by the county association. So far as the Wheat Section is concerned, he can put anything in. If he signs the corn-hog contract he has to comply with it. He can't increase his wheat crops, I believe. They have made an exception to that in one or two areas.

Q. In Ohio we have quite a little abandonment. The farmers are wondering if they will be able to comply and consider that reduced acreage on account of winter-killing.

MR. FARRELL: We are going in there and talk that over with them. The probabilities are they will have to take their reduction.

Q. Another point. We have a dozen or so counties that have no county agent and they never had this plan thoroughly explained to them. They would welcome the chance to have it explained to them.

MR. FARRELL: Let me go back a little bit. We are going to comply with the London agreement and we are a little bit short of acreage. We could get it one or two ways, either buy it or open up for the farmers to come in. We decided the latter was the better plan. We are not willing to throw the barriers down and give the man who comes in now a better contract than the man who came in first, but the definite announcement of that plan is not ready but will be ready in the next few days.

Q. Isn't the objective in the reduction of wheat acreage fifteen per cent?

MR. FARRELL: Fifteen per cent on sixty-five million acres.

Q. You have obtained at the present time how much?

MR. FARRELL: Fifteen times fifty-two would be about seven or eight hundred thousand acres. If you take fifteen per cent of the fifty-two million acres you would have what the actual reduction was.

Q. Will it be necessary for the spring wheat men to reduce sufficiently to get this fifteen per cent?

MR. FARRELL: No, we won't ask the spring wheat men to do anything that we don't ask the others to do.

Q. You are certain you are going to get the fifteen per cent reduction?

MR. FARRELL: Yes. In other words, we say that we are going to bring that down to the London agreement. We have our signup, we have our abandonment and we are going to bring it down.

THE NON-SIGNERS

Q. What about the situations in the Panhandle that we hear so much about, folks going in there that haven't signed up at all raising wheat, that don't appear to be in the signup?

MR. FARRELL: We have thirteen million acres. Let me give you the figures on that. Winter wheat in the ground, 41,002,000 acres.

Q. How does that compare with last year?

MR. FARRELL: Last year there were 42,692,000 acres seeded and harvested.

Q. One of the discussions in Texas and I believe in Oklahoma, Mr. Roberts, is that this plan is being endangered because of an extension of wheat acreage by folks who have come in.

MR. FARRELL: The figures do not show it. The figures show that we have a reduction in plantings in the winter wheat areas for the harvest of 1934 over the harvest of 1933, by the extent of the difference between 42,692,000 and 41,002,000. Texas for the 1933 harvest seeded 4,491,000 acres; for the 1934 harvest seeded 4,042,000 acres, as of December 20. Does that answer your question?

Q. Since you have not attained the quota desired for winter wheat, do you expect the reduction of spring wheat to be sufficient to bring the total acreage down to fifteen per cent?

MR. FARRELL: Start out with sixty-five million acres; take off fifteen per cent, which would bring you down to a figure of fifty-five million acres. Then take off your normal abandonment of 10.8 and bring it down to fifty million acres. That is our setup. That is where we are going. Start with our sixty-five million acres which we have as a base and follow crop estimates in wheat contracts, because after all our report to the world is on the basis of crop estimates, forty-one million acres of winter wheat, somewhere between nineteen and twenty million acres of spring wheat, bringing it up to sixty million acres. Take off an abandonment that may range from fourteen to twenty-two per cent any place in there.

Q. In other words you are sanguine about the results being achieved?

MR. FARRELL: That is right. In other words, not only are we hopeful about results to be achieved but we have the machinery set up here so that it will be efficient. We are not afraid of our ability to make good on our agreement with the world.

RE-OPENING THE CAMPAIGN

Q. Do you have any thought or any provision for emergency measures for this year, taking out some of the wheat that has been put in by men who didn't sign the contract and perhaps have signed other commodity contracts?

MR. FARRELL: The men who didn't sign contracts are out of the picture.

Q. Take the men who signed corn-hog contracts.

MR. FARRELL: We are opening it up to those people who want to come in shortly. The announcement will be made in the next few days.

Q. I am thinking of the corn belt. The men who put in wheat are probably not eligible because the independent wheat growers put in their wheat and then signed corn-hog contracts after they had done that. The provision as to basic commodity does not apply to him because he planted in 1933 before the year. Was that the point?

MR. FARRELL: No, the point is that we are getting about one hundred letters a day from people who for one reason or another didn't sign the contract that are eligible to sign and who think that our regulations are a little bit hard. We were dealing with all the way from seven hundred to a million wheat growers. We had to be a little tight on the thing. Now that we have had a little more experience, we can open up on it. Now the new regulations which will be opened up shortly will allow us to let more of these people come in.

Q. You said the men who didn't sign the contracts are out.

MR. FARRELL: So far as any future program of reduction of any kind.

Q. What about reopening the contracts?

MR. FARRELL: They will be inside them. His question was to go out and buy acreage from the fellow outside; absolutely no.

Q. Would you reopen contracts with an opportunity to give the man who has already signed the right to further reduce his acreage?

MR. FARRELL: No.

Q. How will you handle the abandoned acreage of this man who wants to come in now?

MR. FARRELL: All the acreage was figured on a seeded acreage basis, none on a harvest basis.

Q. If he seeded too much could he plow under?

MR. FARRELL: Oh yes.

Q. If a man didn't sign the wheat contract he might later on say he had signed this dairy contract.

MR. FARRELL: Oh yes.

Q. Is it possible for some of our large Panhandle wheat growers, who put in thousands and thousands of acres, is it possible for those men because of that vast acreage to practically rehabilitate themselves even if wheat is reduced this year, by Government payments?

THE INSURANCE FEATURE

MR. FARRELL: There are two features of the wheat reduction program. One is the insurance feature and the other big feature is that we are going to dispose of a surplus and make a better price. The insurance feature in the wheat program is a very valuable feature at the present time. In other words, if a man seeded not more than eighty-five per cent of his best acreage and not less than fifty-four, he will receive his adjustment payment whether there is a bushel or not. You might wonder why fifty-four. We owe something to the consumers. In other words, we have to protect the consumers as much as the farmers and we say fifty-four per cent of the crop goes into human consumption and therefore if a man is going to participate in a planting, he has to receive that much at least.

Q. Is this 1934 price on wheat?

MR. FARRELL: The 1934 payment? Here are some of the figures. In the 1934 payment we have not yet set the price per bushel that will be necessary to bring fifty-four per cent of the crop up to parity. The price of the 1934 payment to the farmers will be set some time in August. We want to get a little better picture of what the trend is by that time. What will enter into the adjustment payment for 1934? Well, it will be the purchasing power of wheat. At the present time the index figure on the products the farmer consumes is about 102. The purchasing power of wheat is about 72 and the adjustment payment 28, which brings it up to \$1.00. Seventy-two is the index figure on wheat; 28 is the adjustment payment, bringing it up to \$1.00. The parity on wheat ought to be \$1.02. Prices to the farmer.

PACIFIC NORTHWEST EXPORTS

MR. FARRELL: We had an unusual situation in the Pacific Northwest this year. We had a pretty fair crop, very little export market and we had a congestion of wheat out there. That wheat would have to move somewhere, either have to come along and compete with soft red winter wheat and probably hard winter wheat in the Gulf States and Atlantic Seaboard. We organized an export group to help the Northwest move some of its export wheat. Up to a few days ago they purchased 14,402,472 bushels of wheat. They sold and moved out 13,791,835 bushels of wheat. The group is limited to a holding of not more than a million bushels.

this We have exported on that basis about 13,791,000 bushels, and wheat costs the Government $72\frac{1}{2}$ cents. We sold it for 52.9 cents and we absorbed the loss in the Agricultural Adjustment program. Now the question is if that absorbed the loss, did it do anything, and as you know, the price of wheat in the United States has been about 20 cents above world price. When we started it out and there was a spread between Chicago and Portland of 26 cents, we reduced that spread to 6 cents and it has been slightly widening since that time. We moved a great deal of wheat which had not been moved directly into export instead of competing, and we think it resulted in a very material increase in price to the American farmer as a whole, not only in the Pacific Northwest but American farmers as a whole. If we had that floating thirty-five million hanging over the market, it would have affected the price materially. We may have a surplus on the Pacific Coast this coming year of fifty million bushels. We will have a carry-over on July of this year of 275,000,000 or 285,000,000 bushels.

Q. Where will that carry-over be located?

MR. FARRELL: A lot of it is still on the farms. There is some of it in the Pacific Northwest. On July 1 in the Pacific Northwest, roughly speaking, there will be about 72,000,000 bushels of wheat to be moved out of there.

Q. What is the normal carry-over?

MR. FARRELL: We started in the previous year with 389,000,000; that was on July 1, 1933. On July 1, 1934 it will be down to 275,000,000 or 285,000,000. Crop Estimates hasn't reported on it yet. That is my guess. In other words, we have lopped off the surplus during this current year of somewhere around 100,000,000 bushels, but we did that with a crop of 527,000,000 bushels. With a normal crop under normal conditions it would be somewhere around 850,000,000 bushels. In other words, with a 300,000,000 bushel fall off, decrease in production, we took only about one hundred million bushels off our surplus.

Q. About what would be a desirable carry-over?

MR. FARRELL: A hundred and twenty-five to two hundred million. The thing that we want to get over to you people is that a surplus does not disappear in a day. The surplus is going to be a slowly decreasing thing and the price of wheat as we see it is not determined particularly by the total carry-over but by the trend of the carry-over. If the trend is upward the price of wheat is severely affected. If downward, it is very helpful to the price of wheat.

THE COST

Q. Are revenues from the processing tax satisfactory?

MR. FARRELL: Up to February 1, the income from processing tax was \$70,000,000; expenditures were \$57,000,000 or \$59,000,000. So far under that particular item, \$57,000,000 was for adjustment payments, and then we added about sixty-five per cent, but that is the point, that the income from processing tax is running ahead of expenditure. I wouldn't quote those figures if I were you. That is the last pencil statement we have on that.

Q. How many people are employed now in the wheat control movement under your Division?

MR. FARRELL: In our Washington office we have nine men and about twenty stenographers and in the field the A.A.A. is contributing some toward extension agents. I can't tell you what the expenditure on that and the Audit Section is. The Wheat Unit itself consists of about thirty people. There are four men in the Wheat Section who try to do the head work. It isn't a job that needs a great many people.

Q. Suppose you have a case like this of a man who has signed up a wheat contract and also a hog contract and he is figuring on his wheat next fall; would he be allowed to use some of that corn land taken out of production this year?

DR. BLACK: Yes. There was a rule made to that effect a short time ago. It was stated that he could use that corn land to plant a crop harvested in 1935 at the same time that other corn land on his farm or in his vicinity was similarly planted. That was to guard against starting that in certain sections of the country where they don't do it at all.

MR. FARRELL: Generally speaking, you can take this rule: Where the wheat land is released for any crop the contract goes along with it.

Q. About what time will the first payment in 1934 be made?

FUTURE PAYMENTS

MR. FARRELL: We still have to meet the second in 1933. The first on 1934 will be made following inspection.

The county association will nominate to us one man for every fifty farmers. Out of that we will select one man for every hundred farms. He will have a hundred farms to inspect and he will fill out with the farmer a certificate of performance which will be a certificate of acceptance on that particular farm. That will be turned in to the county association. We will spot check with civil engineers on the work of every man. When the spot checker brings in a report it won't be a guess, and if a man fails in his inspection work to come up to a reasonable variation, the work of the man is thrown out and has to be done all over again.

Q. Will the inspector be expected to do any measuring on each field?

MR. FARRELL: Oh yes, both on the wheat and contracted acreage.

Q. Will the man be from their own district?

MR. FARRELL: Yes. We won't move them outside of the county.

Q. Will they be wheat farmers?

MR. FARRELL: Yes.

Q. Contract farmers?

MR. FARRELL: Yes. We may move them around within the county, spot check the work of every man.

Q. You can't do that with thirty-five men, can you? Who pays the spot checkers?

MR. FARRELL: That comes out of the Washington office.

Q. What about the payment next fall? When will that be made?

MR. FARRELL: We are going to start inspection work in California and Texas within the next three weeks. There ought to be some payments going out early in June. We have one contract unit over here. Corn-Hogs is coming in now and we may have to start to expand that unit to take care of it. One of our difficulties is to fit in the various flows of contracts in that unit. Some time in June should be a reasonable guess.

Q. I am referring to the first payment on the second year.

MR. FARRELL: That is what I mean. Just as soon as we make the second payment on 1933 there is nothing to do on that until the first payment in 1934.

DISCUSSION ON THE CORN-HOG PROGRAM

MR. BRIGHAM: The next phase of our discussion will be the Corn-Hog Program and in order to make the most of our time we will have no introduction other than bringing before you Dr. A. G. Black, in charge of the Corn-Hog Section. He has a number of his staff here.

DR. BLACK: The sign-up will be pretty largely completed by the fifteenth of March, and there may be some territories that will drag on a little after that. We found it best not to set any deadline date because there are going to be contracts signed in every section in the country, and particularly in the Southern states and in some of the border states the tobacco and cotton campaigns were in progress and they waited to get those out of the way before starting on the corn-hog sign-up work, so that the program will be delayed there.

As near as we can gather the sign-up is progressing very well in all states, but I would say it is practically certain now, the way it is being received, that we can count on a very minimum of 85 per cent and more probably 90 per cent of the corn and hog farmers and commercial producers signing the contracts the country over.

The work we have now is to get the associations organized and handling the contracts in the field as expeditiously as possible and to make payments as soon as we possibly can. It is pretty much a matter of machinery.

Q. In regard to the sign-ups, does that refer to signing applications for the contracts or the contracts themselves?

DR. BLACK: No, I would say the applications for contracts. There is, of course, an early payment feature to these contracts--early payment in this respect that certain producers who want to sign the contract in blank, indicate their willingness to accept whatever adjustment in their figures as may be necessary and they can have their contracts handled a little differently from the normal procedure, and special attention will be given to those with the result that the first payments on those contracts should reach the country from a month to six weeks before the regular contracts are paid. I saw a letter a few minutes ago from Iowa saying that in some communities in Iowa from 50 to 60 per cent were signing the early payment contract and in others not more than 15 or 20 per cent were. I have another report where it runs as high as 75 per cent.

FIRST PAYMENTS

Q. Are you starting to get any payments back yet?

DR. BLACK: No, the first payments, I think, ought to be out during March--not very many, I think.

Q. There is quite a little uneasiness about some of the producers proving their production base the last two years.

DR. BLACK: They are apparently doing a pretty good job of it. Indications are that throughout most of the country at least 90 per cent of the producers are getting pretty good evidence--evidence carrying really a good deal of weight.

PRODUCING EVIDENCE

Q. I know of a situation where there were a good many hogs in a certain community sold through a cooperative association which kept no records at all and they had no way of knowing how many hogs each man had sold, and a good many producers in that locality couldn't furnish sales slips. They either are listing no base because they are under the impression that if they could not furnish sales slips they could not get any consideration. What about that situation?

DR. BLACK: That is not quite right. We want the best evidence possible, and as you know, evidence in the courts ranges all the way from iron-clad, indisputable evidence down to evidence where one must stretch one's imagination to call it evidence.

Q. What is the objective in the campaign now in the program as to corn acreage--to reduce to what from what?

DR. BLACK: We are reducing it 20 per cent. Other than that, it isn't definite because the amount of acreage reduced would depend on the degree of sign-up of corn producers. Roughly, there is from 100 to 105 million acres of corn raised in the United States. It is pretty hard to tell what the potential corn acreage is that could conceivably come into the program.

Q. Are the big corn states talking 30 per cent?

DR. BLACK: Some of them are.

Q. Is Iowa?

DR. BLACK: Iowa, yes.

Q. Do you have any information as to the extent to which the farmers have paid or have evaded the processing tax?

DR. BLACK: No, we haven't. I don't think there have been any reports made on the receipts from the processing tax. The first payments were due on December 31. I suppose they have made a report but I haven't seen it. I don't know how much was paid at that time. There doubtless has been some evasion--I don't know whether you would call it evasion either--due largely to the fact that it was not in existence in parts of the country where the farmers slaughter themselves and deal with their own products.

Q. Have you figures on the total of the processing tax?

DR. BLACK: The total payments to farmers will amount to about

\$350,000,000. The chances are it will run a little under that. Probably on corn and hogs both, during the two years the tax (taxes are being collected for two years under the program) would run pretty close to \$400,000,000.

THE GOAL

Q. What is the objective in reduction of hogs? What population are you striving for?

DR. BLACK: There are about 46 to 48 million Federally inspected hogs each year. Home slaughter and non-Federally inspected slaughter car-ies that total up to 65 or 70,000,000. I rather think the number of hogs produced commercially will go in the neighborhood of 90% that figure--somewhere above 90 per cent I would think of the commercial production.

Q. Have you any figure in mind as to what you want to reduce this hog population to in order to get this parity price? What must it be? What should it be?

MR. BLACK: It would be impractical, we feel, to try to get a parity price entirely through reduction of production. We must depend on improvements in consumers' income as well.

Q. Are range hogs excluded regardless of the character of the management?

MR. WICKARD: There is some misunderstanding as to what the term "range hog" is. Where the farmer can possibly give some records of production and can confine his production for the next year to a place where he is reducing, he is not ineligible because he happens to let his hogs run on the open range.

Q. Has it been contemplated at all to vary the tax from time to time in view of the possibility of changed conditions and changed needs? Do you anticipate that it will remain at the maximum amount during the contract period?

DR. BLACK: There is no guarantee of that, of course. If conditions are unusual enough to warrant a change in the tax, undoubtedly the tax will be changed.

WHO PAYS THE TAX?

As to your question as to who pays the processing tax, it is practically impossible, I think, to determine to the satisfaction of everyone the incidence of any tax, I don't care what sort of tax it is. In a product like hogs, if no attempt is made to control supply and if there is no change in consumer demand for the product, a processing tax on hogs would doubtless be borne pretty largely by the producer. One has to make some sort of an estimate as to what the price would have been not only without the processing tax, but what has been done to relieve him of the processing tax before he can arrive at any justifiable conclusion as to whether the program has been beneficial or not. We

have some evidence which should carry a good deal of weight, I think, although none of us would say it is conclusive of the fact that of course prices have been higher than they were last year--that is, in spite of the substantial increase in receipts week by week, and also in spite, if you will, of the processing tax. It is very doubtful if there has been sufficient improvement in consumer income to have warranted such a price increase right through. I think there is no doubt but that hog prices would have been lower--materially lower--this winter had the receipts from the processing tax not been available for use in connection with the government purchase of meat for relief agencies and for the emergency campaign last summer.

Q. Dr. Black, what is the prospect for export markets?

DR. BLACK: The prospects, I would say, are more a matter of hope rather than certainty. I would say that the prospects are not tremendously encouraging for relief in that channel.

Q. Is there any change, Doctor, in the regulations covering the growing of crops other than corn for hog feed?

DR. BLACK: In the case of abandonment of wheat land feed crops can be substituted. That, I think, has been the only modification for permitting increase in those crops which would be defined as feed crops. On the clover or hay land seeded in 1933 there is an opportunity to seed annual seed crops, such as soy beans, etc., but they would have to be harvested as hay in that case. We haven't relaxed, I believe, on the feed crop for grain restriction except for the substitution of hay on the abandoned wheat land.

Q. How would you set your quotas for 1935? Is that based upon the 1934 production or 1935, or the three-year average?

DR. BLACK: Our program is just a one-year program, of course. We haven't gotten into the details of the '35 program at all.

Q. It is likely that the production figures of 1934 would have influence upon what is done.

DR. BLACK: Yes, that should, of course, if for no other reason than that the record for 1934 will be much better than those of the other two years and by adding years on which you have very good records you are adding of course to the accuracy and stability of the whole thing.

MR. BRIGHAM: Are there any other questions? I am sure we appreciate Dr. Black's coming over here to answer these questions.

At this time Mr. Cox, who is Chief of the Replacement Crops Section, has come over to give us the statement on the question of the contacted acreage. I will ask him to give you that statement.

REPLACEMENT CROPS

MR. COX: Approximately 43,000,000 acres are taken out of production of the basic commodity crops and they must be used in such a way as not to create surpluses that would be damaging in other fields. This 43,000,000 acres is in the hands of more than 2,000,000 farmers. There will be approximately 3,500,000 who will sign contracts. Of course, many of them sign several. They agree with the Secretary of Agriculture to remove the land from the production of the basic commodity crops, to measure it off, stack it, and to use it under the terms of the contract and its regulations until the expiration of the specific contract controlling that land.

The Secretary of Agriculture is indirectly in partnership by contractual relationship with more than 2,000,000 farmers interested in the taking out of 43,000,000 acres of land. I think this makes him the largest farm operator in history. This land that is taken out, as far as the contracts are concerned, can be best used if it is left lying idle. On first thought, that would be the thing to do with it--don't grow anything on it. We have many who believe that is the policy that should have been followed, but we know that more than one-half of that acreage is in the humid regions--the eastern half of the United States. A large part of the land is in the West in the region where wind erosion is a problem, and if some cover is not put on that ground or some method of control, there would be a great bill of damage against the Agricultural Adjustment Administration or the Government for the damage from erosion and the spread of weeds. Therefore, all of the contracts permit that the land be used for planting erosion-preventing and soil-improvement crops. That opens their use up to the pasture and meadow crops--new and additional seedings of pastures and all meadow crops. We hope that a large part of this acreage will be used for that purpose. When seeded to permanent pastures that land is taken out of production not for the season only, but for a number of years.

GO TO GRASS

We need not fear there will be an increase in the total production of meat or milk, because, roughly, when we take out an acre of corn it takes from two to four acres of the best Blue Grass to produce as many feed units. When we take out corn to the extent of 20,000,000 acres, it would take of the best of pasture a minimum of 40,000,000 to equal it. Actually, it would take from 80 million to 100,000,000 acres of average pasture as we find them. When we shift to the forage crops of clover, sweet clover, alfalfa, lespedeza, etc., it means that there is a somewhat less total production of meat and of milk, at a much cheaper cost. The farmer gains that much through reducing the cost of a pint of milk or a pound of meat.

I don't think there would be any possibility of putting as much as half the acreage of 43,000,000 acres coming out of production under the contracts into the cover crops--pasture and meadow crops. In the first place, our seed supply is limited. Probably there is not enough seed in the country of pasture and meadow crops to plant 5,000,000 acres in addition to our ordinary usage of those crops.

A SHIFT TO PASTURES

We appreciate the aid that has been given in the farm journals--the press in general--calling attention to the desirability of a shift towards pastures. If we can get farmers to include 46 pounds of Blue Grass through the corn belt in the northern states and the Blue Grass regions to use timothy and the ordinary cultivated seedings for acreage, and put that into permanent pastures, after the third or fourth year we will have made a great step forward in the use of grass.

Any of them when they do would be permanent pasture, just due to the natural development of Blue Grass. It will take several years more to produce a pasture crop. There is a supply of Blue Grass at present that makes it available and the price compares with timothy. Heretofore it has always been a long grass price at forty or fifty cents retail, very seldom under thirty-five cents. Red top is in the same category, available now at farm prices and in a fairly good supply. Orchard grass and other grass we would like to see go into pasture. Espideza is coming along. They carried as much seed supply available this year as last year. It is grown in the northern part of the cotton belt down into the southern states. That is grown on acid lands. It is one of the crops that we look at as a very desirable one on the contract acreage throughout that region. Sweet clover grows in the west and the north and alfalfa can be adapted wherever the soil contains sufficient lime to carry it. We consider the use of the contract acreage in connection with corn-hog, wheat, cotton, and tobacco contracts for permanent pastures and for new and additional plantings of natural crops as the most satisfactory use. We permit the pasturing of such new seedings in the Fall or the limited pasture that that type of planting makes, provided they don't use cash crops. We don't want to force farmers right in to using their acreage money for building fences just to protect new seedings that give only light pasture, when it is their custom to pasture wheat stubble for instance, when they have an adjacent field that has been seeded along with wheat.

Other uses that are approved in all these contracts are the fallowing of land, cultivating it during the period of retirement, and the control of weeds. Now that is of interest in Iowa and Illinois, Minnesota and Wisconsin, where quack grass and other weeds are a problem. They can retire land according to their selection, taking out the weedier areas or fields. The contracts permit also the planting of farm wood lots or forest trees on the contracted acreage. Take for instance the cotton belt. The farm wood lot is often used for pasture also, but it was cleared off and put under the plow. Now they haven't any source for bean poles, fence posts, and things of that sort on the farm. They are virtually subsidized to establish a farm wood lot.

ORCHARDS

Q. How about the planting of orchards which would not come into production for several years?

MR. COX: We have not approved the planting of fruit trees because of the objections of those engaged in the fruit business. They

are already in surplus. There happens to be plenty of fruit of all kinds available so we can't let the Agricultural Adjustment program cause certain overproduction of the fields not tied up with contracts, so we haven't opened it to orchards.

Q. Do you except home orchards?

MR. COX: With the exception of the cotton contracts which carry a home production clause in home orchards only.

THE MAIN PROBLEM

When Mr. Davis created this section back in August, he made the fact plain that this was an adjustment program. The objective was to take out of production a sufficient acreage of these basic commodity crops in surplus and at the same time shape our agriculture toward an adjustment so that this land could be used for other purposes which would be non-competitive, and everything has been done to direct attention toward the usage of the contracted acreage in that way.

Even the Northwestern Duck Association, and the Poultry Association in America have signed vigorous statements with us against the use of the contracted acreage because of the surplus in the poultry fields. When you get into the special crops, it is very direct. For example, a few hundred thousand acres into potatoes would without doubt create a very damaging situation for our potato growers. Likewise, with beans already in surplus the addition of a half million acres would cause a difficult situation. The expansion of peanuts would ruin the peanut people in the South as they now have a great surplus and their market is low. Hence the regulations that restrict the use of the contracted acreage.

I get some satisfaction after several hours of answering the many inquiries with the pleading requests of why they can't make use of their acreage to feed a family of fourteen children or to add to their milk cows in order to increase their returns, by simply being able to tell them to "Go to grass."

That is another thing I want to get before you. Throughout the corn and the wheat belts, they want to know why it is that in cotton and tobacco we permit limited home use. The reason is this that approximately two-thirds of the producers of cotton and of tobacco are contract share croppers and share renters who have little or no other land. They grow tobacco and cotton only, or for the most part. Now, when they reduced the cotton acreage, it would have meant that one-fourth or more of these people would have been out of work if it had not been required in the cotton contract that they hold the normal amount of share croppers and share renters that they had the year before, or provided for them the use of the contracted or rented acreage to grow their own food or feed crops on their own land. In the case of corn and wheat we do not have that contract relationship where the individuals can grow those crops. That is the primary reason for permitting the limited home use, and the new cotton contract carries a

clause that in cases where other land is ordinarily used on those farms for producing feed and food crops, then the contracted acreage shall not be used for that purpose. They must be used in a supplementary way; everything has been done to protect this vast acreage from being used in a competitive way.

The programs are drawn up based on the Act, and then the individual sections in control of the corn and hogs, the cotton, and the wheat contracts cooperate with the Replacement Crops Section in working out a program that fits the particular contract and their area, maintaining the principles I have tried to put before you in a hasty way.

(Conference adjourned at about 11 A.M.)

11 A.M., February 24, 1934

FREDERIC C. HOWE,
Consumers' Counsel

DR. HOWE: While there is a growing realization that a nation-wide recovery involves a bigger pay envelope for the worker, there is an unwillingness among city people to recognize the plight of the farmer.

There is, I think, another explanation of the farmer's plight; an explanation which he does not fully realize. We are taking from him too large a part of his income for the distribution of his products. He is carrying too many of us on his back. It may be that the load we call upon him to carry runs into hundreds of millions, possibly into billions, of dollars each year.

THE AGRICULTURAL BOTTLENECK

For upwards of 20 years as a lawyer I observed monopoly at work. At times I served monopoly, at times I served the public, which was seeking to control monopoly. All monopoly has to pass through two offices; one the office of the lawyer, the other the office of the banker. Without the lawyer and the banker monopoly could hardly exist. They are the foster parents of the privileged few.

In this experience I learned several things:

1. Almost every monopoly is directly or indirectly traceable to an economic stranglehold - a stranglehold, too, which may be created by the laws of the land;
2. Monopoly has an instinct for this stranglehold, much as animals have an instinct for their food;
3. Every monopoly involves a burden on somebody else. Otherwise, it would have no value. It is the pennies, dimes and dollars of the millions that make up the wealth of the few.

Now, the farmer is the most helpless of all sufferers from these bottlenecks which control his access to the market. He pays both coming and going. The bottleneck fixes what he receives for what he produces; it fixes what he pays for what he consumes. In many cases he is weaker than organized labor. Up to very recently he had no political power. And political power lies back of the economic power which monopoly uses and enjoys.

Almost every farm product must pass through the hands of one or more powerful processors before it reaches the market; sometimes it has to pass through a dozen. Each of these processors is highly perfected in his agencies of control, such as credit, transportation, warehousing, cold storage plants, terminals, speculation, and often the protection of the press as well. Each of these processors aims to increase the tribute which it takes, a tribute which is borne by the farmer on the one hand and the consumer on the other.

Most important of all is a universal psychology, shared in by all of us, that the distributor must get a profit, as he must get a return on his investment, even though the farmer gets no return at all.

Growing out of this alien control are many unfair practices, such as the improper grading of wheat, tobacco and other farm products; certain warehousing and terminal charges, the fixing of the middleman's share in prices; the speculative methods employed to increase or decrease commodity prices on the Exchange.

The farmer is so enmeshed by all of these agencies that meet him at every turn that he is like a tethered animal that has wound itself with its tether until it cannot even reach the food and water that is within its easy reach.

There are hundreds of examples of these facts. The fruit growers of the Pacific Coast are said to have received but 10¢ for a consignment of fresh pears which sold at wholesale in New York for about \$1.90. The Dakota farmer gets 25¢ for a hide, and has to pay \$2.00 for a strap with which to mend his harness. The cattleman often pays as much for the transportation, feeding and other charges of his cattle as he receives for them from the packer, while the wheat grower of the Northwest often cannot buy and eat the flour which is made from his own wheat. In the South, the tobacco planter receives so little for a year's efforts on the plantation that he cannot buy the scantiest necessities of life. The dairy farmer likewise gets so little for his milk that he cannot pay for the feed which he buys to keep his cattle alive.

A STATISTICAL EXHIBIT

Almost for the first time statistical inquiries are being made as to the costs of processing, marketing and distribution. Inadequate as this material is, it is sufficient to raise the question whether the costs of processing and marketing the wealth we produce may not lie at the very heart of the Recovery Program. It may be that we cannot continue to pay all the charges we now pay to get our wealth to the consumer. There are too many millions of us struggling to keep on the backs of others. And each of us is struggling to keep our share; a share fixed in the days of our prosperity. There is more money to be made in the distribution of wealth than there is in its production. There is also more leisure, more social distinction. Our footing was reasonably secure when the total income of the nation was 80-odd billion dollars. It is not so secure today, when that income has fallen to about 50 billion dollars, and when possibly an increasing proportion of that income is taken in interest and taxes, leaving very little to be distributed just to keep us all alive. This may be one explanation of our collapse. It is certainly one explanation of the depressed condition of the farmer.

We pay a colossal sum to get the wealth we produce to the consumer. Dr. Frederick V. Waugh, of the Bureau of Agricultural Economics, says that the total marketing bill of the United States for the year 1929 was \$27,000,000,000.

This is for all commodities of the farm and the factory. In that year almost one-third of our total income was used to pay for the processing and marketing of goods. Dr. Waugh says that this "estimate is certainly conservative."

It costs nearly \$2.00 to get \$1.00 worth of food to consumers. Taking the five major farm products of the country in 1932, the amount received by the producer was \$7,566,000,000; while the final consumer paid \$19,021,000,000 over the counter.

Even more significant is the fact that the farmer's share grows less and less, while the processor's and distributor's share grows more and more. For instance:

In 1929 the farmer got 47¢ of the consumer's dollar, while the distributor and processor got 53¢;

In 1931 the farmer got 38¢, while the processor and distributor got 62¢;

In 1932 the farmer got 33¢, while the distributor and processor got 67¢.

This downward drift has been reversed to some extent during 1933 and 1934.

In November, 1933, the farmer got 36¢ of this consumer's food dollar, while the distributor and processor got 64¢.

In January, 1934, the farmer's share is again 36 cents of that dollar.

This diminishing share which the farmer receives is seen in the division of the actual costs of the average family's monthly purchases of 14 important foods.

In 1929 the monthly disbursements of the average family for those foods was \$26.11. Of this sum the farmer received \$13.71.

In 1932 the average cost of the same amount of food was \$16.78, of which the farmer received \$5.54 and the processor and distributor \$11.24.

Taking dairy products alone, we have a similar exhibit.

In 1929, the farmer received 52¢, while in 1932 he received but 37¢, and in 1933, 39¢.

As to wheat products, the farmer in 1929 received 23¢ of the consumer's dollar, and in 1933 he received but 17¢.

QUESTION: Was that based on bread or flour?

DR. HOWE: On flour, bread, and macaroni.

As to meats, the farmer in 1929 received 53¢ of the consumer's dollar; in 1932 he received 35¢; in 1933, 39¢.

QUESTION: Would you give those figures again, please?

DR. HOWE: I will have them typed and sent to all the editors for their reactions. I would like to get suggestions from the men who are much more familiar with solving these problems than we are, and see what suggestions can be made to see how we can work the farm products into the channels of consumption by getting rid of some of these outlets.

These figures, it is true, are in pennies. When multiplied by months and by more than 25,000,000 families they rise to billions. Pennies multiplied in this way make up such figures as that 11 1/2 billion that went to the processor and distributor of five major food products in 1932.

It is when we reduce these aggregates to sums which mean something to us that they become understandable. Thus, in 1932 the gross farm income was 5 billion odd dollars. Now, if we do a little arithmetic we see that each one of us paid the farmer less than \$1.00 a week for all the food we consumed. This is in addition to the food the farmer himself got from the farm. By an interesting parallel, the total sums paid the factory worker were almost exactly the same as those which the farmer received.

Now, the fact is that each one who could do so has been trying as hard as he could to get out of the working class. That is natural. Almost as soon as the immigrant lands he begins to think and save to lift his children out of the class which produces. The Census tells this story. From 1890 to 1930 the number of farm workers increased hardly at all. During this period the number of persons in trades and transportation increased from 3-1/3 to 12 millions. During these years those engaging in trade and transportation increased by nearly 400% in number, while those engaging in production increased by less than 200%.

If this process continues long enough we will be like the natives of the South Sea Islands, where everybody takes in somebody else's washing. It is no wonder that the farmer is in a state of rebellion. He is hitting out in the only way he knows. And if we were honest about it we would admit that he is doing exactly what the industrialist has done, the railroad interests have done, what the banker has done, what the trade unions have done. He is seeking to use the Government to serve him; possibly he is struggling merely to save himself from starvation in the midst of the wealth which he himself produced and without which the rest of us would surely starve.

THE INEQUALITY OF DEPRESSION BURDENS

Those who control the agencies which control the farmer have not starved during these lean years. They have not even been on half rations. Of the fifteen major industries which have kept up their dividends during these years nine are major dealers in food products. The most powerful member of the Milk Trust is reported to have paid two stock dividends of 100% during these years. It milks no cows, it buys no feed, it does not work two shifts a day of eight hours each. It merely owns the securities of more than 500 dairy companies, mostly in the larger cities. The four major cigarette companies have paid dividends as much or more than they paid the farmer for his product.

The Milk Trust is the most pervasive in its power of any of the food monopolies. In Philadelphia, where four large distributors control 85% of the milk distribution, profits on net plant investment for the five year period 1929-1933 averaged 30.76%, while in Chicago the average was 25.8%. This Trust controls milk distribution as follows: Philadelphia, 85%; Baltimore, 85%; Washington, 55%; in New York, with two other members of the Trust, it controls between 70 and 80%.

Agriculture differs from other businesses in this: Industry seeks to control all of its processes from the raw material to the ultimate consumer. The farmer, on the other hand, has lost control of his outlets. He is no longer his own salesman, as he was 50 years ago. Others control the distribution of his output. Obviously, it is to the interests of these alien distributors to pay as little as possible to the farmer and charge as much as possible to the ultimate consumer.

Now to get back to my inquiry as to whether you gentlemen have suggestions.

QUESTION: We often compare consumption of milk and dairy products in this country with Denmark and other smaller countries. Isn't it a fact that in those smaller countries where they consume such a large quantity of dairy products they consume less of other products which we are accustomed to using in this country?

DR. HOWE: I think it would be modified in that way, and in other ways, also Except that we are obviously not consuming anywhere near what we should as a decent standard of living.

MR. GREGORY: Dr. Howe, you pointed out the increase in spreads between the farmer and consumer, and discussed the relation of the distributor's profits to that. Have you made any study of the effect of wages on that spread?

DR. HOWE: This study of spreads was made during the depression period and wages were pretty low.

MR. GREGORY: Take the question of milk in Chicago, for instance, where farm wages aren't very low, and certainly they are not on a supply and demand basis in milk distributing.

DR. HOWE: We have made some studies of that. We found in Chicago that they publicized the fact that their drivers were paid \$35.00 a week and in some cases, by commissions, as much as \$60.00 a week. We made just a little study on that, finding that there were a whole lot of surcharges on wages all along the line, and that the actual wages of the drivers out there weren't the wages publicized at all because of the many surcharges against them. Our statistical research group are going into all those fields.

QUESTION: Take Chicago and Milwaukee, for instance. There is a much narrower spread in Milwaukee than in Chicago, quite a large part of which is due, according to information I have been able to get, to the lower labor cost in wagon delivery--not necessarily less total income to the drivers, but the greater efficiency. I think the difficulty in Chicago is not necessarily that the drivers get too much, but that the efficiency per man for wagon delivery is very low.

DR. HOWE: Yes, and in Milwaukee they now have a cooperative and that is growing very rapidly, and it is eating into the market of the two big distributors.

MR. _____: And they also have a State Milk Control Board. And it happens that there is a very efficient milk distributor there in Milwaukee who has been in business a good many years, who has established the balance of control for that city.

QUESTION: I would like to know, Dr. Howe, whether the survey they made of milk distributors' profits showed how much of this profit entered into the price, that is, I would like to know the price per unit delivered, or per quart of milk delivered, that entered into the profit of these concerns.

DR. HOWE: Broken down into cents, you mean?

QUESTION: Yes, which I take it, from your viewpoint, is one of the important factors to be considered.

DR. HOWE: The records are not at present required to be kept in such a way as to make such an answer possible. We are working on them at present, and if we have anything to show we shall endeavor to make it public, possibly through our bi-weekly bulletin "The Consumers' Guide".

Personally, I think the approach should be to find new methods of distribution. We permitted, during the last ten years, the distributors to build up and freeze a system of distribution which they brought to us, and said in effect, "This is the only way milk can be distributed." That was the house to house distribution. They tried to drive out store distribution through contract and every way possible. They built up a lot of public opinion that store distribution diminished per capita consumption. Dr. Ford gave a table yesterday showing that in two cities, New York and Boston, about 40% of the distribution was store

distribution and the per capita consumption was about .86 pints as compared with .645 on the country as a whole. It is full of irregularities all over the country.

It is not enough to point out dishonest practices and profiteering on the part of middlemen, but we need very badly to be making some practical and detailed studies and experiments in the attempt to find ways of performing the necessary services of transportation, processing, and marketing more efficiently.

I should like to get from you suggestions as to how this problem of distribution can be approached for the benefit of the farmer.

(Meeting with Consumers' Counsel adjourned
at 12:00 noon.)

12:00 - February 24, 1934
Room 218 - Administration Building

SECRETARY WALLACE: Gentlemen, I don't know the exact purpose of this meeting unless it is to determine whether or not you have learned anything during your stay here, and whether or not any of those things you have learned would be of interest to me; whether you have found some things which you would like to tell me about and ask why these terrible things should be so, and so on.

DR. POE: Mr. Secretary, at the beginning of our conference the other day, a committee was appointed to formulate and record the views on the fundamental and general principles on which we seemed to be in accord, and these are embodied in a report which I am pleased to present to you.

SECRETARY WALLACE: I see you call on the Administration much more definitely to foster and encourage cooperative movement among the farmers. You don't suggest what particular branch of the Administration should do this. You may remember that some years ago the cooperative work of the Bureau of Agricultural Economics was taken away from the Bureau and transferred to the Farm Board, and that is where it is at the present time.

Q. Mr. Secretary, in regard to the proposed Bankhead Bill, and as applied to the non-signer, if you allot him a definite acreage of cotton to be grown, are you not put under the necessity of determining what other crops he may grow on the rest of his land? If no provision is made for the control of that acreage, he might increase acreage of basic commodity crops. If he did do so, it would tend to defeat the program of those other crops, and if you do determine what acreage or what crops he may grow, will you not then have a completely licensed farmer in that particular?

SECRETARY WALLACE: Yes, I would suggest that as the ultimate situation.

Q. Following 1935 no contract benefit payments would be contemplated?

SECRETARY WALLACE: The contract is only for the two years.

Q. I understand. If you would continue in 1935 to pay benefits to other farmers than the cotton farmers, is the "hatchet" under the rules and regulations as sharp as it should be?

MR. COBB: I would say it is not anticipated to remove the processing tax on cotton until all processing taxes are removed. It is the intent to go on paying the benefit payment just as long as processing taxes of any character are assessed on any of those commodities. The Bankhead Bill has nothing to do with continuing the processing tax provision of the Agricultural Adjustment Act.

Q. Then you contemplate paying benefits to all farmers after 1935 because all farmers would be subject to the Bankhead Act?

MR. COBB: Yes, all cooperating farmers, if they signed.

Q. Will the passage of the Bankhead Act remove cotton from the Agricultural Adjustment Act?

SECRETARY WALLACE: No.

Q. Yet that Act specifies voluntary cooperation as a precedent for receiving benefits?

SECRETARY WALLACE: You can have voluntary cooperation for the purposes of the Agricultural Adjustment Act, and compulsory elsewhere. That is exactly what the cotton farmers apparently want. The concept is a little confusing.

Q. Mr. Secretary, again raising that question, his (Mr. Cobb's) answers were more in line with the thought that the provisions of the Bankhead Bill were to be imposed on the contract or rather were to be in lieu of a voluntary reduction campaign as set forth in the contract.

SECRETARY WALLACE: I think the whole concept is to be embodied in the addition of another voluntary contract rather than in lieu of, but it is certainly a very important thing to have the whole Bankhead matter well understood so that when a decision is arrived at, it will be known what the decision means.

EXPORTS

I am interested in paragraph No. 7 of your resolutions.

(Reading) "It is our conviction that neither American agriculture nor the American people as a whole can prosper adequately without perpetual effort to protect and enlarge our foreign markets; and to this end we urge that the utmost utilization be made of all practicable forms of reciprocity and international readjustment."

In other words, you are all thoroughly export-minded. I am wondering if you are equally thoroughly import-minded, which is the complete reciprocal of this.

MR. GREGORY: We decided this yesterday, Mr. Secretary, that we wanted to start the imports with aluminum and steel. (Laughter.)

SECRETARY WALLACE: That's great. It might be well if you would go over and call on the Secretary of State.

MR. GREGORY: That is probably where the influence is most needed.

SECRETARY WALLACE: We would like to have the great industries of the East practice an allotment plan for retiring purposes, as well as the agricultural industry.

MR. GREGORY: We prefer not to start our reciprocity by trading automobiles from Argentine for beef.

SECRETARY WALLACE: It is a curious fact that in 1929 we sent 50 million dollars in automobiles to Argentine and received 50 million dollars worth of flax, and this last year we sent one million dollars in automobiles and received from Argentine one million dollars worth of flax. As it happened, they kept almost perfect step--flax and automobiles.

BATHTUBS ON THE FARM

DR. FOE: Mr. Secretary, there seemed to be quite considerable interest yesterday morning in the discussion of Dr. Ezekiel about some possible plan for financing plans for better equipment in farm homes. That is to say, take a southern farmer who might need two or three hundred dollars to put in water works, and it might be ideal, but whereas he might use that money to buy a car, he never has quite that much available to put in the water works. On the other hand, if this could be financed on a long payment plan at a low rate of interest over a period of years, you would see a tremendous improvement in farm homes. And of course the need for paint in farm homes is appalling. I don't know if that has been brought to your attention, or whether you have any advice to us as to how to make that move, or not.

SECRETARY WALLACE: Frank Walker, who is secretary of the Emergency Council (I believe that is his position) is sort of a coordinator of these varied recovery efforts, and he is very much interested in working out a plan for renovating both farm homes and city homes, and for perfecting the financing that is necessary thereto.

Any of you who as individuals are interested in that at any time while you are in Washington, I would suggest that you make a real effort to get in touch with Frank Walker or Winfield Riefler, who is the central statistical man. He is with Walker and has been working with him on these plans for getting an extensive renovating program started and also an extensive building program started.

With regard to the renovating, I think the thought would be perhaps to furnish considerable bait to those who will engage in renovating during the next year, and put on something almost in the nature of a liberty loan drive to sign up and to have them bite, if possible. I am not sure that the details can be worked out--this isn't my particular field--but if proper assistance can be had from the people supplying the building materials that their contribution would be to furnish these materials at a very reasonable price, and the contribution of labor in view of the fact they are going to be employed more continuously can be to furnish the labor at a fairly reasonable price, the whole thing could be put on as a vast recovery program. That is not set yet, but that is the general kind of talk that is being used, and I think undoubtedly the farm folks would be as much interested in that as the city people, if the Government leadership is utilized in such a way as to make the costs very reasonable indeed. And in connection with that I have no doubt there might be some argument to this effect that the monetary program could easily result in higher costs a year or two hence, and we would be doing the patriotic thing, not only getting things very reasonably from the present standpoint but looking to the future price level, it would seem to be a very prudent thing to do.

If that were started in a very large volume, I am convinced from

my own part that it would start a recovery all along the line of very extraordinary proportions, and of such extraordinary proportions that within a year we might have to think very seriously of controlling the inflationary folks. It could happen.

COMPULSION

Q. Mr. Secretary, we wonder in Texas just what is in the minds of the Administration in this long time program, and whether the pulse has been felt of America as a whole with reference to perhaps a solid regimentation of agriculture. If we trend in that direction, do our people take to that idea?

SECRETARY WALLACE: I don't think that anyone can say what our trend is. For my own part, I think we should have the most extensive debating possible so that all our people will understand the implications to the different trends. If we have a substantial degree of relief during the next year or two, it seems to me extremely important that we utilize that period to debate the implications of all the possible methods to the greatest possible extent so that all our people understand and can really make a sensible decision. The nature of our difficulty is such that unless such a decision is arrived at, I am sure the trouble will come again and perhaps in an even more aggravated form.

Q. Would the questionnaire be used?

SECRETARY WALLACE: Oh, I am skeptical about that. Questionnaires don't carry the necessary education along with them, and while they can give you an indication of the sentiment at the moment, yet they are not sufficiently deep enough to carry along very far. It is a useful newspaper device to promote discussion. I think, decidedly, from your point of view, that the questionnaire can be very, very helpful, indeed. If you print the results of the questionnaire, folks will say, "My, do our subscribers feel that way?" I mean the people out in the country will say, "Do the subscribers to this magazine feel that way?" and they will say, "Well, I don't just feel that way," and the thing will be discussed in the school-house meetings, and then they will get into the implications of what they really meant.

Q. This last questionnaire with reference to the Bankhead Bill represented only about $2\frac{1}{2}\%$ --about 50,000 farm families--or $2\frac{1}{5}\%$ of the cotton growers. Is that a sample?

SECRETARY WALLACE: It appeared to be a thoroughly intelligent sample, I suspect, because you had the committeemen in each county and the county agent and they were estimating among other things what the sentiment was in their locality and they were men who ought to know what the sentiment was. I don't see how you could get a better list for measuring without going to very great expense. That would be my opinion, that if you had the entire laborer population of the South you wouldn't have obtained a materially different answer.

Q. Was the questionnaire sent out to people identified with the campaign, or did it include others?

SECRETARY WALLACE: It included the crop reporters in the South, the committeemen who were identified with the campaign and the county agents.

Q. How much of that vote was resentment against the non-signers, and how much against the long-time view?

SECRETARY WALLACE: Ninety-nine per cent was resentment against the non-signers.

Q. Shouldn't we credit a little bias to the 6,000 that were sent to the different committeemen, inasmuch as they were hand-picked in the beginning as men whose sympathies were thought to be with the campaign, and who had to prove their sympathies by signing the contract? Human nature being what it is, some bias reaches into such a situation. And that is likewise true of the county agents. It tends to reflect, as we all know, in that circumstance, the viewpoint of those supporting the campaign.

SECRETARY WALLACE: Well, I suspect you know better than I, because you have been with them.

MR. COBB: I think that is a very important point, Mr. Secretary. It is quite common in the case of the farmer, that he gets the questionnaire at his home, and without knowing what the issues involved are, he may make a decision in answering it which he will regret when he gets to talking with his neighbors the next week. That may be a matter that is very vital in determining future policies. I am very glad to hear you express that opinion. It seems to me there might be opportunity there to revise what has been called the "Democracy" of America. If these matters could be debated somewhat after the fashion of the New England town meeting, I think the decisions would tend to be reached much more intelligently.

SECRETARY WALLACE: If we can use these various campaigns, whatever they may be, as a means of making it vital to the people in every township to engage in truly discussional meetings several times a year, this whole effort might have justified itself more in the long run from that point of view than from any other. Of course, from the short run it is better to get more money into the farmers' hands, but from the long-time point of view, if we are going to avoid this extraordinary development of Fascism and Communism, in this great centralization made necessary by those forces growing out of the World War, if we are going to avoid going to either of those extremes, it seems to be extremely important that the centralizing power be guided by an enlightened democratically arrived at opinion, and it is the only answer I can conceive of to this world tendency, and if we can't develop that, well, God help us all. We will go straight into the days of the Caesars. I think it rests on this country; the other countries, most of them are unable to avoid being drawn toward one pole or the other. I think this country could perhaps swing that thing if it will, and if it is to be swung, I wouldn't be surprised if it depends more upon this group of people here than on anyone else in the entire country. I think this group will have more to do with making that decision than the people who guide the city opinion through the city newspapers.

SECRETARY WALLACE: I want, certainly, to express my very great appreciation that you men should have taken the time to come in here and confer with us. I think this is a mighty splendid thing, and I feel that the debt is on our side to you. If you have gained anything here that will be of help, we will be only too happy, and if during the next year you can think of any ways in which you feel we can be of greater service to the farmers of the country and to your constituency, I wish you would write those folks in the Department that can help you and if you feel you are not getting service, see if you can get the kick through to me.

(Conference adjourned at 12:45)

2:30 P.M. -- February 24, 1934.

Mr. Davis's Office

MR. LEADLEY: Before we adjourn, we wish to say that we deeply appreciate the splendid work of Mr. Brigham in helping us gain information, and also the Agricultural Adjustment Association officials who have given their time in helping us get this information. I think Mr. Brigham will convey to all of them our feeling in this respect. (Applause)

MR. BRIGHAM: We appreciate very much what Mr. Leadley has said.

MR. DAVIS: So do we all. I received a copy of your resolutions. I will say in the main that those are the ideas we are heartily in sympathetic accord with.

Q. Do you expect to have that plan outlining a unit farm or properly balanced farm unit ready for production in 1935?

MR. DAVIS: I would say at the expiration of the contract period. It would be almost necessary to apply all the experience we have had and all the experience the country has had in a new plan unless the emergency is past or the country has decided it does not want any more work along that line. Looking to that end, as you know, we are setting up a Program Planning Division under Dr. Tolley. Up to date I regret to say that it is more on paper than anything else.

Q. Might there not be a difference of opinion as to what constitutes a family-sized farm or commercial production? The point I have in mind is that you differentiate between farming from the standpoint of subsistence or a family-sized unit that might be engaged in commercial production.

MR. DAVIS: I don't think this group here wants to get to the point where it is subsidizing farmers.

Q. I am arguing against that.

MR. DAVIS: I know you are. This thing could be worked out in a way that would not involve any closer line of demarcation. A graduated scale, that is what Lester Cole suggested the first time he came down here.

Q. Somebody comes out of the corn belt and holds out the idea of subsistence alone as the sole and total aim of agriculture.

MR. GREGORY: I think the idea is fairly clear to most of us as to what is meant by the family-sized farm--a farm operated to make a good living for a family, at a size that can be chiefly operated by the farmer's family, and not by the employment of hired help. That is somewhat of a shadowy line of demarcation, but I think in general the two types are quite distinct--the commercialized farm using a quantity of help and the other using a couple of boys.

MR. ROBERTS: What will the effect be of the Bankhead Bill as to interfering with the present administration of benefit payments? Are benefit payments to continue alongside with this legalized control, or will legalized control supplant and displace the benefit payment system?

MR. DAVIS: My idea would be that the Bankhead Bill applied only to cotton until the price of cotton reaches the parity figure named in the bill. That the difference between the market price during the preceding period on which the statistical information rests, and the market price should be given to the farmer who cooperates by signing an adjustment contract. Of course, ours is a two-year contract on cotton, and we have the option to extend the program over into the year 1935, and I would say that we ought to reward the cooperating farmer to the extent that we are able to draw revenue out of the industry by the processing tax. The Bankhead Bill under that interpretation would supplement the reduction program by making it highly persuasive by the high tax to adjust his acreage to a point which with average yield would about hit the same allotment as the fellow who has reduced or who has signed it.

I know that is exactly the principle that is being urged in the Bright tobacco region. I think I mentioned the situation here the other day about the Bright tobacco people where they have a very high percentage assigned under the contract, and they are not afraid of the two or three per cent of people without a tobacco base who haven't signed a contract. That fellow does not disturb them, but in these areas covered by the campaign there are a number of farmers not heretofore growing tobacco, and what they are urging there, is that they would like the Bankhead Bill to be perhaps a little more carefully planned on that point. They would like an ad valorem tax on the non-contractors' marketings that is the same in percentage as the percentage of reduction the cooperator has made. If it is a 25% reduction there will be a 25% ad valorem tax on tobacco and that is intended as a supplement to the voluntary control program.

Q. They haven't reached the point of drafting a bill on that?

MR. DAVIS: Yes, they drafted a tentative bill; I looked it over one day and sent it back and the next step is a seminar of our administrative group to receive it and see the reasons and discuss it. A number of the members of Congress are anxious to move ahead on that as you know. What do you think about it, Dr. Poe?

DR. POE: I think we have to have something on that very order.

MR. DAVIS: That is particularly true of crops where a large percentage moves in export.

DR. POE: Yes.

Q. Do you think, judging from the progress made on wheat that a similar law might be necessary for wheat?

MR. DAVIS: I think we have the power in the wheat mechanism to make it highly unprofitable for any man to stay out of it. The Bankhead Bill is simply a tax differential, and I think we have the power under the wheat plan to impose that tax differential. The same thing is true in hogs. I don't believe it is immediately required. The first year may show some desire on the part of the rugged individualist to say, "I will stay outside," but if the world price begins to dominate the domestic price to a larger extent, and the heavier percentage of the farmer's income comes from the benefit payments, the tendency will be for the man on the outside to get in.

Q. Did I understand there was available in hogs and wheat a provision for establishing a differential between the cooperator and non-cooperator, making it like the Bankhead Bill?

MR. DAVIS: That is right, the ceiling is so high in hogs--the amount of tax we can put on under the law--and we don't have any large export volume to consider; it is practically all consumed in the domestic market under existing conditions. So there you can obviously put the tax up to the point where it will be extremely difficult for a man to stay in business and stay outside.

Q. Of course, the working of that plan will be predicated on the farmer's having deducted from his price at least part of the amount of the processing tax.

MR. DAVIS: If you put the price so high that the consumer couldn't take the volume, obviously some of that would move back on the farmer in the case of pork. Don't you think so?

MR. : Yes, actually part of the success of the plan depends on taking some of it out of the farmers' price -- from the cooperator and from the non-cooperator.

MR. DAVIS: To make it work, though, successfully, to keep the farmer's support, the benefits have to get out to him very promptly. There mustn't be a long lag because he hasn't reached the way of thinking yet that disregards that market price as the index of his income, and a low price brings a swarm of protest unless the addition to his income in the form of payments reaches him very promptly. That is one reason why in approaching the dairy and beef cattle problems we are supporting this appropriation of a 200 million dollar fund which could be used to get benefits out promptly, without depending on the processing tax to re-imburse that so that he can get the full measure of the processing tax income plus this advance payment.

Now, we had something of the same sort in cotton, and we have something of the same sort in hogs. The Bankhead Fund was split about 60-40 between cotton and hogs.

Q. You didn't have to use much of that, did you?

MR. DAVIS: Yes, we used it all. Of the 100 million dollar appropriation we won't use more than 90 million dollars unless we have missed our estimate on some of these hogs. If we missed it on corn and hogs, it could wipe out that fund, because it is a reserve.

Q. Didn't the Secretary in his speech on dairying in Wisconsin say that of the 250 million, 150 million would be available from the processing tax and one hundred million from the appropriation, but that later the one hundred million would be repaid by the processing tax?

MR. DAVIS: I can't say without reference to that speech, but he did testify before the Senate Committee on that bill and as that bill was drafted it didn't provide for recovery through the processing tax.

Q. The work of the Consumers' Counsel -- I haven't heard much about that, Mr. Davis, before this meeting. I am very much impressed with that. How are you going to promote that? Through the rural and farm producing areas as well as the consuming centers, the cities?

MR. DAVIS: You timed your question very well, because just as you stated it, Dr. Fred Howe walked into the room. Dr. Howe is head of the Consumers' Counsel and I guess he feels rather hurt that you haven't heard much about it.

Q. I haven't heard much about it until today. I haven't been on the list who were sent bulletins which I found were issued here, but I am very much impressed with the work that the Counsel can do and the work that it has done.

DR. HOWE: The Consumers' Guide has become quite an institution. It is used by a great variety of agencies throughout the country. In Wisconsin they have used it to check on prices of commodities that were affected by state marketing conditions. Other marketing agencies use it pretty widely. Newspapers all over the country have taken the averages and compared them with their local averages, in that way controlling prices. Then the State Agricultural Colleges are to some extent supplementing their statistical work by this day by day statistical work. They say it is more interesting to their boys. Research agencies use it and two or three thousand of the county agents and extension divisions are using it, so it is a kind of functioning publicity agent at least. A very interesting set of statistical figures are coming out, which shows for one thing that the income of the factory worker follows dollar by dollar the income of the farmer. When the income of one is five million the other is five million; when the income of one is eleven million the other is eleven million. If that is true we can almost start a new philosophy, which is that we cannot have recovery for everybody unless we plan for the wealth where it first comes out of the ground. I am inclined to think that is true.

MR. DAN WALLACE: We get a great many letters and questions about little trivial things that don't conform to the blanket rules laid down. I have been wondering if you could delegate to these county committees -- they are fine committees in most cases -- in a little more authority to let them straighten out the small difficulties and at the same time give those committeemen a feeling of more responsibility. I am constantly impressed by the general tone of the campaign.

MR. DAVIS: While the Comptroller General and his office are not by statute placed in control of the disbursements under the Act for benefit payments, nevertheless by executive order the Comptroller General is given certain powers in that respect, and our own Comptroller and the men who have set up machinery for auditing these disbursements are approving them and making them, but they have felt that it was necessary for them to comply anyway with approximately the same rules that would govern federal expenditures that are under the Comptroller General. So to establish a basis for full issuance of the government checks, you have to have compliance either with a contract or with rules or regulations laid down by the Acts. As I say, we may have been more strict in insisting that they must comply pretty generally with the letter of the regulations on contracts than we should have been.

Again I would like to refer to Dr. Black. He is right in the midst of the most extensive campaign of them all, corn-hogs, and I suppose nine-tenths of his time is taken up with requests for a deviation from contract to meet one local condition or individual condition or another. What do you think about the proposition of establishing general rules here and making a wider place for the local community?

DR. BLACK: I think it might be done, Mr. Davis, but I do not think many of us knew just where we were going on these to start with, and, as a general policy, I feel it is better to have things pretty tight to start with and then after a lapse of time to make adjustments and modifications as we find they can be made. This point that you raised with respect to the Comptroller's audit is rather an important one because each of the contract payments will have to be certified to with respect to compliance with the provisions of the contract, and if the contract is written so broadly that practically each county can modify the contract, I suspect that we would run afoul rather quickly of the Comptroller's folks. We would find ourselves with a lot of suspended payments. As time goes on and we get a little more experience with this thing, I think something of the sort can be worked out to allow these modifications and to get greater authority.

MR. WALLACE: My thought was this, Mr. Davis. Maybe you could put it up to the Comptroller to bring about necessary adjustments and allow some latitude in the way it can be done. I do not say it is so much in the A.A.A. as in the corn loans. There is a terrific amount of red tape. For instance, you are wondering why the farmers are not using the corn loans more. We found some senseless rules of procedure that defeated the purpose of the Act. That is the most simple method of making these huge government plans work, in my opinion.

DR. TOLLEY: That brings up another question that I think will have to be answered: How long can we extend contract and benefit payments? As Mr. Davis pointed out, as long as we have Government contracts going into the payment of money, we have to have a good many documents and a good deal of responsibility centered in the Government. That could be, I think, delegated more than it has been up-to-date, after we get going and know how things are going to work, etc., but I do feel that in a year or two the Agricultural Adjustment Administration has to get around to the place where we won't have 40 or 50 contracts with from 15 to 45 regulations with respect to each contract

going out to each state, and each county and each farmer therein. Just how to do that, I don't know. One of the things we have thought about and talked about at one time is the matter of having a contract for a whole farm to take all commodities that we are going to have any control over and put them under a single contract and have one set of rules and regulations for that contract, and have one generalized benefit payment, continuous benefit payment, for the farm and one general contract for the farm. That would simplify things a lot and as a corollary to that, make each of the various county control committees into one County Agricultural Adjustment Association.

Now, how far we can go in turning things over to the County Agricultural Adjustment Association and making that autonomous in determining what needs to be done in that particular county in order for a farmer to qualify for benefit payments, is pretty much unestablished. I agree with Mr. Wallace and Mr. Gregory that it would be more in line with the spirit of America to turn most of it over to them with only general laws and principles being laid down. I don't know where the country would go if we did, and I don't know the total results on the volume of production, etc. I suggest that you write a good editorial on that and send the answer to me.

MR. GREGORY: I have about gotten to this point as to what I would like to see done--each county given a quota of acreage that can be in production at a cash price, and then all the rest left to the county committee. Now I realize that you won't and can't go that far, but starting from that basis, then you restrict the freedom of action of the county committee in what they are going to do inside the county in regard to cultivated acreage as little as possible.

DR. TOLLEY: That means each farmer in the county would have to participate in some way or another in the program. Say that in some county in Illinois they can raise so many acres of corn this year. To do that every farm must participate in one way or another. You can't have part participating and not another part.

MR. GREGORY: Does that necessarily follow?

MR. DAVIS: It depends on whether you follow the benefit payment principle there.

DR. TOLLEY: If it is that kind of a quota, that is one thing. The total amount that can be produced in a county is another thing.

Q. Isn't the acreage basis in measuring fallacious? Aren't we trying to get into the Bankhead Bill the production basis?

DR. TOLLEY: Because of variations from year to year? They will average themselves out.

Q. Not in a single year.

DR. TOLLEY: But if we could get our acreage of the different crops down to the base over a five-year period, it will yield the desired quantity--whatever that is.

DR. HOWE: Mr. Davis this may be a little aside. The thing that has been present in the sessions that I have attended was the extent to which there was a utilization of a serious philosophy underlying the agricultural program. Now what I had in mind is the advisability of a monthly bulletin gotten out by Mr. Stedman which would keep alive in the minds of the county committeemen the larger aspects of this, something that would be like the Secretary's speeches which would come to them periodically in a uniform form for reading, which could be multigraphed. I can see it carried through a period of time and there would be built up over this country a common consciousness of objective which would be more significant than a mere discussion of group problems. I think those individual problems would solve themselves if we got enough understanding and interest in the ultimate project. It would not be very difficult to do that, and it would adhere with many thousands of people to this program in an understanding way which they do not get out of newspaper releases and the occasional releases.

MR. DAVIS: I think there is a great deal of merit to that in the hurried programs that we have been developing here. In the programs we have been developing here we find it hard to get over the underlying philosophy. Let's take the campaign with which we used the longest period of preparation in an effort to cultivate the soil thoroughly and get a complete understanding of the underlying economics. That is the wheat campaign. Even with all of that and an attempt to get all the facts before the people, George, how many pieces of literature were distributed in the wheat campaign?

MR. FARRELL: About 24,000,000.

MR. DAVIS: That is what I was thinking. In two months we swamped the county agents' offices. It was the first major campaign that we took time to try to get the understanding or objective before the people. In spite of that, I doubt whether the whole philosophy of the wheat situation was well understood. That is not hitting your broader point, Fred, but the difficulty of getting people in step in economic thinking is enormous.

MR. DAVIS: It seems to me in this process of education on basic principles, the ordinary type of article on a question of that kind is not read by the farmer that needs that sort of gospel. I made a suggestion to the publicity department that that kind of job would be most effectively done to reach the sort of fellow that should be reached by some kind of cartoon that would have a click toward giving interest. You can reach that fellow who isn't in a hundred years going to read a more or less technical article on the question.

DR. HOWE: Your county agents are going to read more than anybody else.

Q. They say they haven't had much time to read in the last few months.

DR. HOWE: I meant something they would work upon as applying specially to them.

DR. POE: Yes, that is right I think, as the Secretary said this morning, it is very important for us to begin to think about a long-time program and begin to consider whether the machinery that is being used now is just something

to pull us out of the emergency or at most get us to the point where a parity price is obtained, or whether a degree of control is going to be permanently necessary to get generally the right performance on the part of the farmer. I know the cotton farmers in the South say they would rather see the 12¢ cotton with control of output than 6¢ cotton without that control. I think that, with serious thought, they are going to want a rather permanent allotment of production rather than have the farmers planting blindly. He is going to want to plant with his eyes open and he is going to be willing to make some sacrifice in order to have that assurance.

DR. TOLLEY: But Mr. Poe, they won't do that when the price is good.

DR. POE: I am not sure but that they will. We might have good prices this year in cotton, for example 15¢ a pound, with so recent a memory as they have of 6¢ cotton, I don't believe they will wish at all to go back to unregulated production in 1935.

MR. DAVIS: There is this feature of the wheat plan sometimes called the insurance feature, based not on the corn market but on a wheat base that grows out of past experience. That has been one of the most satisfactory things about the current contract. It has brought money into the areas where by crop deficiencies money is most needed. Take the State of South Dakota as an extreme example. Perhaps Mr. Farrell has the figure in mind that the total payment in South Dakota this year is larger than the value of the crop. Is that true?

MR. FARRELL: Yes sir.

MR. DAVIS: If you go to any form of allotment which is going to support by compulsion or by voluntary contract, the human judgment of an officer has to enter into that at some point. If we are given the job of administering the Bankhead Bill, somebody in the government finally is going to have to apply a rule and say to each individual how much he is going to be able to sell ex tax. That is all right on a voluntary program. He can take it or leave it. But when you take it in individual instances, you will have a rule saying that this man has a certain base and has had bad experiences in that period. It will say he can sell ten bales of cotton without this prohibitive tax. To another man it will say twenty bales. It may work out to constitute a little inequality of one man as against another. There is a vast difference between that and a voluntary program where you say you can take it or leave it. That is one thing that has made us approach with some hesitation this thing of compulsory power, even though a large percentage of farmers may favor it. Let's say there is a national referendum that two-thirds of the producers favor compulsion in a certain crop. Let's take dairying. Let's say that among the one-third there is an objection on the part of New England, for example, to the application of the principle in their case. You have a two-thirds support to the referendum, but a united local opposition in New England. I am not sure but what it would take the whole United States Army and then more to enforce that. You might find it in the case of cotton. You might go out into Texas, some of the newer areas, and there they might say, "No, we don't want to be put in a strait-jacket." There might be united opposition in a state or block of counties that could flare up into a real situation, and I am not sure but that any of those plans might not clog the United States courts to a point where you would have to throw up your hands. That is the seamy side of compulsion.

Q. When are these benefit payments going to cease?

MR. DAVIS: Under the existing Act, they would cease when the emergency passes, and the Act is declared inoperative in respect to any commodity. Secondly, they would cease under the Act when the price reached parity. They would only be thrown into gear again when production ran higher and supplies piled up, leaving a margin.

Q. In the case of a plan involving compulsion, the full responsibility would be on the agents to get all information and data, would it not? An individual could testify on his behalf or decline to do so. You might have a neighbor who was not prone to cooperate at all and merely remain passive and said, "It is up to you to obtain this information."

MR. DAVIS: I can switch over now and take the other side of the argument and say of course you require in the income tax law certain information to be turned in, and the income tax probably operates inequitably between individuals.

MR. POE: So long as the crop allotments give these percentage acreages, there are going to be gross inequities and inequalities, and therefore the sooner it can be figured out on the percentage of a man's cultivated acreage or a unit farm, the greater the degree of acceptance. So long as we do have the opportunity to reduce those inequalities, it seems to me there is a very great need to allow a five or ten percent acreage for the county committee to distribute among deserving cases. I do not think that ought to be left to the arbitrary action of these county committees, as that might give rise to charges of favoritism and graft and that sort of thing.

It seems to me that even this year it would be practical to have a referendum on the Bankhead Bill, that you would have a far stronger supporting public opinion.

Q. I think even now, even though they are planting some cotton in Texas today with the practical assurance that the people are going to approve the bill, if you are going to have a referendum on it, it will not have any injurious consequences.

MR. DAVIS: I think there is a good deal of merit in that.

Q. I would like to add this that I do think, as to the difference between the questionnaire and the meeting or discussion, I don't believe a questionnaire sent in a letter asking whether or not a man is in favor of this, is going to provide the opportunity for education and information that they ought to have before making a decision. I think if the grower got a ballot and was instructed on a certain date to put in his ballot after having had a meeting to discuss it, that you will get support for the right policy. I think you ought to hold New England town meetings.

MR. DAVIS: I think it will be quite a problem to organize that in time before you get your fields ready.

Q. Isn't the most practical approach going to be the land utilization program?

MR. DAVIS: We had a meeting with the members of the House and the Senate on an approach to that. We have submitted a new title to the Agricultural Adjustment Act which would provide the mechanism for, first, a planning study of what ought to be done and a recommendation of steps to take to accomplish it, and then a section 3 which provides the power to acquire the land and arrange for holding it and managing it and finally providing that land might be acquired from states, counties, or any political subdivisions which have acquired land on tax delinquent sales, by an exchange of 40-year non-transferable bonds bearing 1 1/2% interest up to the limit set in the proposed amendment, \$500,000,000, the idea being that so much land has been acquired by the political subdivisions in Government on delinquent taxes which are paying nothing to maintain a local society at all, that they would be ready to turn them back to the Government into the public domain, letting the Government make use of them and the County would receive bonds which are of no immediate liability so far as the Treasury is concerned.

We tried that out on the group up there and it wasn't more than three minutes before they were hammering on the table as to what Congress would do to such a bill if it were introduced. A lot of education has to be done yet before they are ready to move in on the question of taking back the marginal land. I think that has to be done. I question the immediate effect on the volume of production, but I think in the long run, taking that land back out of production and putting it in a place where the pressure is less severe to get it back into production probably is a good thing. I think your resolutions called attention to the human side of any movement like that in taking care of the people.

Q. Wouldn't the development of subsistence farming tend to meet that argument?

MR. DAVIS: It will to the extent it can be developed, but I question whether in the subsistence farm industry the industrial income will take hold. That is, they are not so much subsistence farms as they are industrial farms. That is, you know M. L. Wilson's idea is to try to get them located where the worker on the subsistence farms can be assured of a certain amount of industrial improvement through cash income, and have this more for a satisfactory form of life and insurance. The extent that can be done will probably keep pace with centralization of industry, although there is a lot of places it can be done now. But that is a long-time movement.

(Meeting adjourned at 3:50 p.m.)